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29 December 1981

Japan Report

(FOUO 72/81)

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JAPAN REPORT

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POLITICAL AND SOCIOLOGICAL

DILEMMA FOR THE NEW CABINET

Tokyo THE JAPAN ECONOMIC JOURNAL in English 8 Dec 81 p 6

[Article by Masahiki Ishizuka]

[Text]

As the reshuffled Suzuki Cabinet got started last week just in time to tackle the task of compiling the fiscal 1982 budget, it became unmistakably clear that the nation has to do something to boost the sagging domestic demand. And the serious external imbalance that is bringing the nation an ever swelling current account surplus and the prospects for revenue shortfalls in public finance owing to the weak economy are confronting the new cabinet with a major policy dilemma.

At a press conference right after completion of the Cabinet reshuffle, the prime minister said he would hold fast to the policy to put administrative and budgetary reforms aimed at fiscal balance ahead of everything. But it is increasingly questioned if such a policy, which basically amounts to fiscal restraint programs, is compatible with the current immediate requirement to shore up the domestic economy.

Economic Planning Agency Director General Toshio Komoto, for one, is challenging the premier, arguing that stimulation of the domestic economy even at the expense of temporary slowdown of efforts toward budgetary balance would pay off in the end as expansion of the economy will bring about increases in tax revenues. Suzuki still appears uncommitted about this idea.

If the Government tries to reduce fiscal deficits (and debt financing bonds) by restraining expenditures (the Ministry of Finance is trying to hold fiscal 1982 budget to a flat growth from the current fiscal year's), it will boomerang as the economy, in the absence of stimulation from the fiscal side, will remain stagnant, resulting in revenue shortfalls which in turn will increase fiscal deficits. This is a typical vicious cycle.

Balance of payments disequilibrium in the form of ballooning current-account surplus cannot be worked out if slump-

ing domestic demand keeps pressures for exports strong, even if various measures to step up imports and restrain exports are taken as the Government is trying to.

Over how to resolve this dilemma, the new Cabinet already seems divided, with EPA's Komoto advocating a bold policy to boost the economy, while Finance Minister Michio Watanabe increasingly on guard. "We at the Ministry of Finance are not going to give up an inch in holding the budget to a zero growth," Watanabe declares.

At the direction of Prime Minister Suzuki, Komoto, Watanabe, International Trade & Industry Minister Shintaro Abe, and Liberal Democratic Party Policy Board Chairman Rokusuke Tanaka (who is another advocate of a stimulative policy) are scheduled to meet and discuss the issue this week. The conclusion emerging from the meeting should be of major importance.

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POLITICAL AND SOCIOLOGICAL

SITUATION IS TOUGH FOR REVAMPED CABINET

Tokyo THE JAPAN ECONOMIC JOURNAL in English 8 Dec 81 p 6

[Article by Akira Yamazaki]

[Text]

Prime Minister Zenko Suzuki reshuffled his cabinet and the leadership of the ruling Liberal Democratic Party last Monday. The first characteristic of the reshuffling is that Suzuki distributed key cabinet and party posts equally to every one of the "new leaders" who are regarded as major contenders for party leadership in next generation. His care for upbringing new leaders will invite approval from the nation as the first Suzuki Cabinet had been termed as "a caretaker cabinet."

Secondly, Suzuki maintained numerically a factional balance in the reshuffled cabinet and had the LDP leadership shared by three major factions of Tanaka, Fukuda and Suzuki. In doing so, he seems, at least on the surface, to have strengthened his power base and ensured his reelection to LDP presidency next fall. Yet by appointing Susumu Nikaido, one of the "gray" or "tainted" officials in the Lockheed payoff scandal, to the post of LDP secretary-general, Suzuki also seemed to count on the Tanaka faction to gear the party politics. But what effect will this appointment have on the Suzuki Administration when a court ruling on former Prime Minister Kakuei Tanaka, a defendant in the Lockheed trial, is handed down, probably next fall? It all depends on the ruling. Nobody can deny, however, that the fate of the new Suzuki Cabinet will count on the ruling of the Lockheed trial. And no matter what kind of impression LDP members have, the appointment of the "gray official" to the key party post will be taken as a bold challenge to the popular sentiments of most Japanese.

Thirdly, it should be evaluated highly that Suzuki has retained three key cabinet ministers to promote two promised policy objectives, administrative reform and the solution of trade frictions; Finance Minister Michio Watanabe for compiling the 1982 government budget; Economic Planning Agency chief Toshio Komoto for masterminding the Japanese economy; and Administrative Management Agency chief Yasuhiro Nakasone for carrying out administrative reform. But the way the new Defense Agency chief was picked up may create a problem because he also has to tackle difficult negotiations with the U.S. In addition, Suzuki said he will not appoint anyone to the post of government representative for external economic relations which Saburo Okita recently vacated. This vacancy, along with the appointment of an entirely new face to the top post of the Defense Agency, may prove detrimental to the coming rough talks with the U.S. and E.C.

Thus, in conclusion, the reshuffling looks sound and safe in retaining most of key Cabinet ministers like Komoto and Nakasone and appointing all "new leaders," but it is very strange as it lacks very fundamental political sensitivities because of Nikaido's appointment as LDP secretary-general. It has long been pointed out that Suzuki's "politics of harmony" is only directed toward the ruling party, not outside. And it is regrettable that, in personnel matters, Suzuki only paid attention to the factional balance within the party, looking inwardly, in an attempt to consolidate his power base.

It seems that Suzuki was looking forward to

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re-election as party president next year on account of the Tanaka faction's support of him, while the Tanaka faction hoped to withstand, through grabbing the heart of power, the shock that might come from a verdict against Tanaka in the Lockheed bribery case trial. But this collusion between Suzuki and Tanaka camps has set up a framework in which the Suzuki Cabinet will suffer most from the attacks from popular sentiment if Tanaka is ruled guilty in the trial.

The tasks the new Suzuki Cabinet faces require urgent attention and do not allow any mishandling. The first task is to solve trade frictions with the West and thereby restore overseas confidence in Japan.

The second task is a further promotion of administrative reform.

The third task is, in compiling the fiscal 1982 budget, to hammer out measures to compromise mutually conflicting interests like expansion of domestic demands, curtailment of trade surplus, correction of unfair taxation, implementation of promises made to foreign countries, and reduction of government deficits.

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POLITICAL AND SOCIOLOGICAL

RESHUFFLE WEAKENS 'TROIKA' SETUP

Tokyo THE DAILY YOMIURI in English 2 Dec 81 p 1

[Text]

The quicker and smoother-than-usual cabinet reshuffle Prime Minister Zenko Suzuki carried out Monday has left in its wake the suspicion that the setup of a "troika" supporting the Suzuki cabinet might be in danger of bogging down, due to the friction Suzuki had with the faction headed by former Prime Minister Takeo Fukuda in forming his second cabinet.

The new cabinet remains, as before, on a power base made up of three factions in the ruling Liberal-Democratic Party (LDP) — factions led by Suzuki himself, Fukuda and former Prime Minister Kakuei Tanaka.

During the cabinet formation, however, confrontation between the rival Fukuda and Tanaka factions surfaced.

Fukuda time and again expressed his concern that Tanaka would increase his influence in the new cabinet, and requested that Suzuki take Mutsuki Kato of the Fukuda

faction as a cabinet member.

At the last moment Suzuki turned down Fukuda's request for a good reason. Kato is a so-called "grey official" once suspected of having received money in connection with the Lockheed payoff scandal.

If Suzuki had accepted Fukuda's request, the new cabinet might have been exactly what he had in mind. He wanted to consolidate his power base in forming the cabinet so that he would be certain to be reelected in the LDP presidential election scheduled for late next year.

Turning down a "grey politician" might have sounded reasonable but it failed to satisfy Fukuda as Suzuki had already selected Susumu Nikaido, a doyen of the Tanaka faction and another "grey politician" in the Lockheed case, to be LDP secretary general, the most important position next to the presidency and generally believed to be

more important than a cabinet post.

As a compromise Suzuki offered him the portfolio of transport minister, usually held by the Tanaka faction in the past. The post went to Ihei Iseki of the Fukuda faction in a last minute adjustment.

This was too late, however, to offset the anger of the rank and file in the Fukuda faction, who are accusing Suzuki of taking in Nikaido on the one hand and rejecting Kato on the other.

On the surface, Fukuda faction leaders remain calm, saying, "The three factions will continue to support the Suzuki cabinet." But many rank and file members are now threatening to get the Suzuki troika out as quickly as possible.

In their eyes the new cabinet has been placed much more under the influence of the Tanaka faction because the key party post went to Nikaido.

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SUZUKI'S MOVES BELIEVED ALIENATING PUBLIC SUPPORT

Tokyo MAINICHI DAILY NEWS in English 2 Dec 81 p 2

[Editorial: "Political Morals"]

[Text]

Prime Minister Zenko Suzuki has reshuffled the cabinet and the Liberal-Democratic Party executive posts, leaving the bad impression that politics follow a different way of thinking from normal common sense.

Politicians should be modest in reading the people's mind and conduct the affairs of state in a way to win the support of the people. Suzuki neglected this point in forming his new cabinet, or at least failed to show us any insight, courage or ability.

The deterioration of political morals has come into the spotlight of late, especially since the Lockheed aircraft scandal surfaced in 1976. Suzuki must have been well aware of this but judging from the new cabinet and party lineup, we see a wide gap regarding the Lockheed scandal as viewed by the general public and that by the prime minister and the ruling party.

Suzuki should have avoided the appointment of Susumu Nikaido as LDP secretary general because he is a suspect in the scandal and regarded as a proxy of former Prime Minister Kakuei Tanaka, a defendant in the Lockheed case. The appointment has created suspicion because of the enormous power Nikaido enjoys in the Japanese political structure.

However, Suzuki ignored the public and some LDP opposition and Nikaido got the post. We believe there is an ulterior motive involved. Suzuki earlier pledged the establishment of political morals, indicating that he would keep some distance from Tanaka, and many voters supported Suzuki because this seemed to show he had common sense.

The voters' expectations, however, have proved

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to be an illusion. Suzuki has surrendered himself to the intraparty theory which pays respect to numerical strength. He must have thought it advisable to do this because, in this way, he could prepare for the LDP presidential election next year.

Suzuki also succeeded in rejecting requests to appoint Mutsuki Kato, another suspect in the scandal, as a cabinet minister apparently fearing that Kato's appointment would unfavorably affect the political life of his cabinet.

We do not accept the way of thinking that a suspect or so-called "grey" person can be accepted as a ruling party executive member but is not suitable for a cabinet post. He is overly optimistic if he expects to offset criticism over the appointment of Nikaido by turning down Kato.

Concerning this, former Prime Minister Takeo Fukuda reportedly said, ominously, that the appointment of Nikaido would lead to a political "explosion." We share Fukuda's view. Such major posts as secretary general, acting secretary general and Diet policy chairman have also been filled by members belonging to the Tanaka faction, indicating that the LDP has seemingly turned into a "Tanaka Camp" with the possibility of stronger influence of the former prime minister in Japanese politics.

The disappearance of factions opposed to Tanaka's leadership does not necessarily mean the attainment of LDP unity. We do not believe such unity would be healthy because the party could not function without a more balanced system. We even foresee a political crisis in 1982 when judgment will be handed down in some of the Lockheed trials.

Moreover, we are afraid that the public will become more apathetic toward politics, and will regard the new lineup as Suzuki's approval of money politics symbolized by Tanaka. This will further the recent social trend in which corruption and the demands of vested interests have gained prominence.

In the cabinet, men who are considered influential or who are expected to become influential in the near future have assumed top posts. Suzuki must exert his leadership to help these members function properly. He must also take care of various problems -- administrative reform, trade frictions, tax cuts, defense expenditures, U.S.-Japan and ROK-Japan relations, to name a few.

Can Suzuki surmount these difficulties? We fear

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he may be trying to align the LDP members while, in his efforts to remain in power, alienating the public. No politician can function successfully should the public withdraw its support.

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INCREASING DEFENSE SPENDING

Tokyo ASAHI EVENING NEWS in English 12 Nov 81 p 3

[From "Politics & Politicians" column by Michisada Hirose, chief researcher, ASAHI SHIMBUN Analysis and research Center]

[Text]

The bill to cut governmental expenditure, which was drafted on the basis of a report by the Extraordinary Administrative Research Council, is now before the Upper House after being passed by the Lower House. As is well known, this report called for cuts in expenditure for social welfare, education and almost all other fields of governmental activity, but it tacitly approved the Government's policy of increasing defense spending.

The Asahi Shimbun's recent acquisition of the council's shorthand minutes has provided a full picture of deliberations conducted by the Government's advisory body on administrative reform. The minutes show that Government officials made the most of the commitment to the United States on greater defense spending.

Defense spending was dealt with by the council's No. 1 special committee, headed by Masao Kamei. The following exchanges took place between members and officials of the Defense Agency:

Kiyoshi Iijima, political commentator: The United States is expected to press for an increase in fiscal 1982 defense spending at various levels on the strength of the Japan-U.S. joint communique of

May. What is the Government's assessment?

Hisakatsu Ikeda, counselor of the Defense Agency: Prime Minister Suzuki pledged an even greater effort to President Ronald Reagan, so the United States is watching what action Japan will take. Despite the 7.6 percent increase in fiscal 1981 defense spending, President Carter advised us of his disappointment. Our greatest concern is isolation in the Free World. We must do our best to act in concert with the defense buildup efforts of other countries.

Shoji Sumita, adviser to All Nippon Airways and a former ranking official of the Transport Ministry: I understand that the United States is asking the Government to bolster maritime defense power. It is understandable that the Maritime Self-Defense Force should undertake mine-sweeping operations in Japanese waters and port and harbor defense, but I find the proposed protection of ocean-going convoys incomprehensible.

Japan's merchant marine now amounts to 50 million tons, including ships of foreign registry. Is it possible to protect so many ships? Even if ships can be protected in the Western Pacific, the oil to be carried by them lies

further away. Seamen say they will not board ships in the event of war. I fear that a buildup of the MSDF will serve no end if a war breaks out.

Ikeda: The MSDF's principal mission is mine-sweeping. We want to make the MSDF strong enough not to allow (enemy) submarines to operate freely in waters around our country. It is certainly true that the protection of ships going to the Persian Gulf cannot be assured. Even so, it is going to an extreme to argue that there is no need to do anything. We should build up our forces in step with other countries of the Free World, and then hope for the best. This is the only sensible option.

Whether or not to go ahead with the domestic production of weapons was also a major issue:

Yutaka Wada, director of the Equipment Bureau of the Defense Agency: I would like to get the understanding of the members of this panel on the importance of domestic production. The U.S. arms export control act naturally requires the domestic arms manufacturers to sell their products first to the U.S. Government and allows the Government to set priorities for the final recipi-

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ents. Although Japan and the United States are allies, it remains to be seen whether the relationship will be exactly the same in the event of an emergency. To be heavily dependent on the United States for arms is the same as to be held by the neck.

Shoichi Akazawa, chairman of Fujitsu and a former ranking official of the Ministry of International Trade and Industry: Defense spending is concentrated too much on hardware. Personnel and funds for research and development should be increased, with domestic production in view. This should be written into the report which the administrative research council will submit.

Hitoshi Utsumi, a former ranking official of the Defense Agency: I agree with Mr. Akazawa. The retardation in the field of software has been blocking domestic production. I even hope that state development funds will be allocated to a military-industrial complex, though I know that referring to such a complex in this context is not proper.

Seizaburo Sato, professor at Tokyo University: If we are to put the stress on software as a long-term policy, I have

no objections. But under the present circumstances — that is to say, when we consider Japan-U.S. relations, the plan for sending the main element of the U.S. Seventh Fleet to the Middle East, the defense of the Western Pacific, and other matters—I believe it is appropriate to concentrate the limited defense budget on hardware. I vote against recommending in the report that the stress be placed on software.

* * *

Toshiwo Doko, chairman of the advisory body, says the defense issue was the most difficult in the council's work of reviewing the Government's policies and will remain so. As the reason for this, he points out that there is no popular consensus on defense, and the parties are badly divided.

It seems that the council, while approving an increase in defense spending, wanted to study, among other things, whether the defense budget is apportioned properly among the three services—particularly whether the share of the Ground Self-Defense Force is too large or not—and whether the funds allocated have matching results.

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GAIMUSHO GOES OVERBOARD

Tokyo THE DAILY YOMIURI in English 15 Nov 81 p 2

[From "Behind the Scenes" column by Minoru Hirano]

[Text]

US congressional pressures for increased defense efforts by Japan have stirred up an unexpected fuss in this country. The Foreign Ministry had been showing willingness to respond to a US request for cooperation in military technology in order to soothe the US dissatisfaction with Japan as much as possible. But the stir arose when it became evident that cooperation in military technology includes weapons export.

A certain newspaper Wednesday carried the full text of "the government's opinion on weapons export to the US." The accompanying commentary set forth the following problems: (1) military cooperation with the US is not limited to supplying military technology but covers furnishing of weapons and (2) weapons exports to the US are exceptions to the government's long-standing policy to ban weapons export, allowed under the Japan-US security treaty.

The government in 1967 laid down three principles which banned export of weapons to (1) socialist countries, (2) countries to which export is banned by a UN resolution and (3) countries involved in an international conflict or countries in which an international conflict threatens to arise.

In 1976, the government announced what it called a "definitive opinion on weapons export" which said that Japan should desist from weapons export even to countries other than in the categories mentioned above, because of Japan's war-renouncing constitution.

However, the new "government opinion" prepared by the Foreign Ministry quotes Article 3 of the Japan-US security treaty which provides for mutual assistance between Japan and the US and says that

the treaty, which is an international pledge, has precedence over both the three principles on weapons export and the government's definitive opinion, which are both domestic rules.

Foreign Minister Sonoda once said that Foreign Ministry officials often spout nonsensical things with perfect logic. It is doubtful that such logic as mentioned above will be accepted calmly by the Japanese. The policy to ban weapons export, like the three nonnuclear principles, is an important part of Japan's foreign policy based on the war-renouncing constitution. What will happen if an exception is made to that? Opposition parties said vociferously that the Foreign Ministry is attempting to nullify the weapons export ban.

Sonoda bawled out Foreign Ministry officials when this government opinion leaked out. According to some persons, even Sonoda himself had not been informed of the opinion beforehand. When he came under a barrage of questions from opposition parties, he made Shinichiro Asao, director-general of the Foreign Ministry's American Affairs Bureau, explain the government opinion instead of explaining it himself, and said that it was "one tentative opinion" within the Foreign Ministry, that the government had not yet reached any conclusion on it and that utmost consideration would be paid to constitutional constraints and government policy against weapons export in drafting the government's final policy. Thus he kept a certain distance from the career officials of the Foreign Ministry.

Moreover, there is no unity on the problem within the government. The Foreign Ministry said angrily that the International Trade and Industry Ministry (MITI)

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had purposely leaked the "opinion" to crush the Foreign Ministry's plan. MITI was cautious toward export of military technology to the US, because it believes that the government should not force private industries to export frontier technologies against their will. MITI must be still more cautious toward weapons export.

Japan-US relations threaten to become tense because US congressional urgings for greater defense efforts by Japan are combined with the US dissatisfaction with the growing imbalance in Japan-US trade. It is natural for the Foreign Ministry to become impatient. But Prime Minister Suzuki, fearing that the US dissatisfaction with Japan would escalate endlessly if the situation is left alone, bitterly criticized the US high interest policy and moves within Congress. Chief Cabinet Secretary Kiuchi Miyazawa said that Japan should follow the course charted by the peace constitution with confidence and that the world situation was taking a turn favorable to Japan. The effort by the Foreign Ministry to adjust relations with the US revealed a gap with pronouncements by government leaders including Sonoda. Career officials of the Foreign Ministry came under fire for "going overboard."

Sonoda thinks that the government opinion prepared by the Foreign Ministry will not become a definitive opinion of the government, unamended.

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POLITICAL AND SOCIOLOGICAL

LOSING BATTLE FOR JSP RIGHT-WINGERS

Tokyo MAINICHI DAILY NEWS in English 20 Nov 81 p 2

[Text] Right-leaning members of the opposition Japan Socialist Party have apparently little chance to win in the next month's election of the party chairman.

Shoichi Shimodaira, a right-wing party vice chairman, is ready to announce publicly his bid to run for the leadership later this week, but present party chief Ichio Asukata is most likely to beat off his challenge to hold the office for the next two years.

The election is scheduled for Dec. 20-21. All 60,000 JSP members will be eligible to vote in the election.

It will be the first election for the party head with more than one candidate since 1977 when the current election system was introduced. Up to that time, the chairman was nominated biennially at the party's national convention.

Shimodaira, 61, a veteran member of the Lower House, will make the announcement Saturday in his electoral district of Nagano, central Japan, sources close to him said.

But he has failed to collect support from the party's right-leaning groups.

Currently, there are three major groups within the nation's largest opposition party with a total of 151 diet members:

- The Government Concept Study Group (Seikoken) represented by Lower House member Tsuruo Yamaguchi.

- The Study Group for Party's Rebirth (Shinseiken) a nonideological gathering of "young" Dietmen, led by Lower House member Noboru Baba.

- The left-leaning Socialist Association headed by Marxist economist Itsuro Sakisaka.

Seikonken and Shinseiken say that their groups number 64 and 53 Dietmen, respectively.

Besides the three groups, former policy board chairman Masao Hori heads a small group of four Dietmen for Study of Workers' Self-Administration (Jishukanriken).

A total of 18 members of the former Sasaki faction and 10 of the former Katsumata faction remain in their own groupings.

There are some Dietmen who have joined one or more of the groupings and some who remain independent.

Shimodaira, a member of the former Sasaki faction, has sought support from his own group and the right-leaning Seikonken.

The right-leaning groups opposing Asukata's leadership, however, had planned to put Masao Hori to the candidacy of the election and preparation was underway.

The right-wing groups were hoping that the JSP, under the

moderate Hori's leadership, would play a favorable role in the political development after the 1983 elections.

In that year, regular elections for local office and for half of the Upper House members will be held.

General elections to the Lower House are also expected together with the Upper House votes.

But Hori withdrew his bid earlier this month when Shimodaira suddenly expressed his intention to run for the chairmanship.

Seikonken is looking to put up a third candidate and policy board chairman Sanji Muto is regarded as a possible nominee of the right wing.

Political observers believe that Asukata will have no problem winning the election.

Asukata is backed by the Socialist Association, part of Shinseiken and members of the former Katsumata faction and other independent center and left JSP members.

Represented by merely two Dietmen, the Socialist Association, however, has the largest influence on the party's local organizations.

"About one-third of the 60,000 party members is shared by the association or those under strong influence of the association," a party source said.

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POLITICAL AND SOCIOLOGICAL

'MAINICHI' COMPLAINS OF 'MONEY POLITICS, CORRUPTION'

Tokyo MAINICHI DAILY NEWS in English 3 Dec 81 p 2

[Editorial: "Inconsistent Prime Minister"]

[Text]

Prime Minister Zenko Suzuki, upon completing the reshuffle of his cabinet and lineup of the Liberal-Democratic Party executives, reiterated his determination to deal with the many urgent problems which our nation faces today. His remarks, made at a press conference on Dec. 1, were most disappointing as he failed once again to demonstrate his leadership.

There was nothing new about his statement. He discussed many subjects at length from a very broad standpoint but did not go into details. In addition, criticism is running high because of his appointment of a "grey politician" as party secretary general, but Suzuki attempted to defend his choice of Susumu Nikaido, saying that he has been working sincerely for the cause of the nation and the party.

In connection with administrative and fiscal reconstruction, the prime minister declared that the most important task now is to restore the people's trust. What is truly needed of politicians today is morality. We are fed up with money politics and political corruption.

We are not at all satisfied with his explanation. How can he restore the people's confidence in politics when he himself named the boss of a "plutocratic LDP faction" as party secretary general? In the face of his breach of faith, whatever he says is hardly convincing.

He also emphasized that this country will make its own decisions on defense independently of the U.S. request for increased military capability after taking into account all factors, such as the war-renouncing Japanese Constitution, budgetary matters and public opinion. With regard to Japan's economic cooperation

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with the Republic of Korea, Suzuki said he would handle the issue within the scope of contributing toward the stability of the people's livelihood and economic progress of the ROK.

His contention on these issues was abstract, but we admit that the direction he is pursuing is correct. The problem is that he has often gone astray from his intended course, and he has betrayed our expectations by failing to demonstrate leadership.

We now call on the prime minister not to say one thing and do another. He should remember that lack of leadership and inconsistency are fatal.

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POLITICAL AND SOCIOLOGICAL

'YOMIURI' ON INTERNATIONAL SYMPOSIUM ON 'SECURITY, PEACE, AND SURVIVAL'

International Symposium Hears Fukuda

Tokyo THE DAILY YOMIURI in English 2 Dec 81 p 1

[Text] *The international symposium on the theme "Security, Peace and Survival" went into full debate at the Japan National Press Club in Tokyo's Uchisaiwaicho Tuesday morning with former prime minister Takeo Fukuda delivering the keynote speech.*

Jointly sponsored by the International Institute for Strategic Studies, Tokyo Colloquium and The Yomiuri Shimbun, the debates were on "East Asia and International Order in the 1980s" in the morning and on "Soviet-American Rivalry and Security in East Asia" in the afternoon.

Speaking on ways to international peace and security in a speech titled "The World Must Overcome Two Main Hurdles," Fukuda appealed to Western powers to unite to overcome the two major crises they now faced.

"The world today is faced with its greatest crisis since World War II and a single misstep in handling the situation may upset world peace which has lasted 36 years since the war. There are two reasons for saying so. One is the global economic confusion and the other is the political and military tensions in East-West relations," Fukuda said.

Then, Theo Sommer, publisher of Die Zeit of West Germany, Robert A. Scalapino, professor of the

University of California, Berkeley and Saburo Okita, government representative on external economic affairs, expressed their views on Fukuda's speech.

This was followed by free discussions on "East Asia and International Order in the 1980s."

The afternoon session was devoted to discussing "Soviet - American Rivalry and Security in East Asia" with Paul Dibb, senior research fellow, the Department of International Relations, the Australian National University, speaking on Soviet capabilities, interests and strategies.

Hiroshi Kimura, Hokkaido University professor, acted as a respondent in this panel discussion.

Then Scalapino spoke on American capabilities, interests and strategies, with Shimpel Fujimaki, Tokai University professor acting as a respondent in the panel discussion.

Soviet Ambassador Dimitri Stepanovich Polyanski is scheduled to deliver a special speech Thursday, while US Ambassador to Ja-

pan Michael J. Mansfield will also deliver a special speech Friday, the last day of the symposium.

[Text P5]

**Affinity Of Views
Pervades Meeting**

Panelists on the first day of the international symposium on "Security, Peace and Survival" Tuesday voiced concern over the Soviet threat, the Reagan administration's approach to East-West relations and the deployment of nuclear missiles in Europe and elsewhere.

In a press briefing summarizing the session held at the Japan National Press Club, Dr Christoph Bertram, director of the London-based International Institute of Strategic Studies, said there was general agreement on the growing and continuing linkage of economic and political developments.

Some panelists in the afternoon session described the present state of the world as being on the brink of crisis but said a conflagration was highly unlikely, Bertram said.

But they believed that a high level of tensions would continue, he added.

Bertram said that one of the most striking aspects of the conference's first day was the number of parallels

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between the perspectives of the European and Japanese delegates.

This was particularly apparent in views expressed over how Europeans and Japanese should deal with the Soviet Union as well as mutual concern over the Reagan administration's approach to East-West relations and the deployment of nuclear missiles in Western Europe.

"Some delegates thought there was a more encouraging move toward pragmatism in the Reagan administration and away from the earlier election rhetoric," Bertram said.

On other topics, however, Bertram said there appeared to have been no geographically based split among delegates.

"There were no typically Japanese, American, or European arguments," he said.

"What has made this discussion so lively was that you couldn't predict the discussion from the geographical position of the delegates."

Delegates offered varying opinions when defining the Soviet Union's perspective of the East Asian region.

These included the suggestion that the Soviet Un-

ion's interest in the region was heightened by its concern that the links between China, Japan and the US would pose an increasing problem.

Still other delegates were of the opinion that awareness of Siberia as an area of economic value would mean increasing Soviet interest in the region instead of exclusive concern with European affairs.

But Bertram said most delegates recognized that whatever the Soviet motives, the present high level of military power would continue to pose a problem for countries in the east Asian region.

Two Main Hurdles

Tokyo THE DAILY YOMIURI in English 2 Dec 81 p 5

[Speech by former Prime Minister Takeo Fukuda: "The World Must Overcome Two Main Hurdles"]

[Text] As you know, I stepped down as prime minister three years ago, but I had no time to meet my old overseas friends because the domestic political scene was confused in 1979 and 1980, keeping me very busy all the time. However, as the Liberal-Democratic Party recovered its seat majority in the Diet as a result of the twin elections of both houses of the Diet in the summer of 1980, I began to have time to make overseas tours. In March, I visited the US and met the US political and business leaders, including President Ronald Reagan. In September, I went to Southeast Asia. In November, I visited China and met Chinese leaders including Mr Deng Xiaoping.

Everywhere I went, I stressed that the world today is faced with the greatest crisis since World War II and a single misstep in handling the situation may upset world peace which has lasted for 36 years af-

ter the war. There are two reasons for saying so. One is the global economic confusion and the other is the political and military tensions in East-West relations.

Economic Confusion

The confusion in today's world economy is very serious. Almost all regions of the world are in the throes of a trilemma consisting of unemployment, inflation and balance-of-payments deficit. The US, the leader of world economy, has an 8 percent unemployment and a 10 percent inflation. The US is enforcing a credit tightening policy to curb inflation, but as a result, the interest rates in the US have risen to skyhigh levels.

The situation in European countries is even worse. Almost all the countries are faced with the worst postwar inflation and unemployment. Even West Germany, the "bright boy" in economic terms, has plunged into a heavy bal-

ance-of-payments deficit, and it is held in doubt that its economy will attain any growth at all.

Nonoil developing countries have been hardest hit. These countries are suffering from not only inflation and depression but also balance-of-payments predicaments due to the soaring oil prices, and their snowballing liabilities are expected to surpass a staggering \$400 billion at the end of this year. It is said that 80 percent of mid-term and long-term loans from foreign countries will be appropriated to the payments of principal and interest in these countries. This is a vicious circle in which debts breed debts. I am deeply worried as to when some of these countries may have to declare insolvency in foreign currencies, that is, the state of national bankruptcy.

Some people liken the situation of the world today to the situation during the 1930s on the eve of World

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War II. I am one of them.

The depression which started in a panic in the US in 1929 spread to the whole world. All the countries resorted to protectionism and nationalism, not to international cooperation, in order to scramble out of the depression. As a result, the depression took on even greater proportions and caused a social unrest. The desperate efforts to emerge from the serious depression and social unrest led to World War II.

We never should allow this disaster to happen again. We never should repeat this error.

A prolonged economic unrest, whether in individual countries or in the world as a whole, is an enemy of peace. An economic unrest eventually escalated into a social unrest and a political unrest.

To avert that, we must prevent an upsurge of protectionism and nationalism by deepening mutual understanding among nations and by attaching utmost importance to concord and cooperation to make our free economic system display its real value.

Thus, there is a threat to world peace from the economic aspect. But there is also a great threat from the political side.

East-West Balance

Needless to say, world politics since the end of the war has been evolving around the East-West structure. However, the balance between the East and West is showing big changes in terms of its substance.

Until the 1960s, the US had an overwhelming military supremacy over the Soviet Union. For this reason, the Soviet Union had to yield to the US demands at the time of the Cuban crisis of 1962 and had to remove the missiles with nuclear warheads from Cuba. After that, however, the Soviet Union has been enforcing arms expansion pol-

icy with a slogan "Remember Cuba." The US, on the other hand, committed itself deeply in Vietnam and failed to get rid of the quagmire for 10 long years. The nation became weary of the war, and the US Government became incapable of even talking of arms expansion. As a result, the Soviet military strength caught up with the US in about the middle of the 1970s, and the Soviet Union's attitude toward the rest of the world became high-handed and more active.

The alarming developments in various parts of the world, such as Ethiopia, Angola, South Yemen, Afghanistan and Cambodia since the middle of the 1970s should be considered by-products of the changed East-West balance.

No one can tell when and where a similar incident will break out hereafter. In particular the future course of events in the Middle East, which is the storehouse of energy sources for the world, deserves attention.

When an economic unrest and a political unrest compound each other, an unexpected development invites another unexpected development and can cause a global confusion. This is what I greatly fear in the world today.

Given such a situation, what is the most important task for world politics? Needless to say, it is to defend world peace, not let it collapse. Now is the time for all the people of the world to join their wisdom to find a way to maintain world peace.

I think particularly important thing is that the US and the Soviet Union, which constitute the cores of the West camp and the East camp, respectively, do not close the channel for dialog but hold consultations on various problems related to the maintenance of world peace. The most dangerous thing is for the

two countries to close the channel for East-West talks and lose the will and means to understand each other.

To ensure that the East-West dialog be really constructive, the Western camp should have a strategy for peace and unite under that strategy. Among the countries of the Western camp, there are differences of positions and clashes of interests. But an urgent task in international politics is for the countries of the Western camp to unite by transcending the differences of their positions and hammer out and enforce a common strategy for peace.

The world situation facing us is very serious. But however serious, we must overcome it. Even if we overcome it, however, there is no guarantee that our future will be peaceful and affluent. We have to overcome another big hurdle, a hurdle of a different nature. This hurdle is one which mankind has encountered for the first time in its long history, one which is very difficult to overcome, which is more deep-rooted than the international tensions in the world today, and which is structural and therefore unavoidable.

Resources, Energy

Since the birth of mankind on this earth, it has been living without least doubting that the resources and energy which it needs for its daily life is inexhaustible. Nobody imagined that they would run out some day.

But the situation has changed overnight. The world economy, supported by world peace and the progress in science and technology since World War II, has attained a phenomenal growth. As a result, mass consumption societies came into being everywhere in the world. During the past 30 years, resources and energy in the world were exploited and recklessly consumed. When we envi-

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sage the new century which is 20 years ahead, we find that a considerable portion of the resources and energy which we need for our existence is going to vanish from this earth and our living environment is becoming even worse.

Far from inexhaustible, the resources and energy indispensable to our life have proved to be finite. For the first time since the dawn of history, mankind is faced with the grim reality of the finiteness of resources and energy. This is the advent of an age of the limited availability of resources and energy. Mankind is faced with a serious turning point of its history, an age of serious changes.

In the age of such changes, each country's posture toward resources and energy begins to show various changes. The confusion in the world economy which I mentioned before is not due to business cycles which we often experienced in the past. It is the result of OPEC's oil strategy and the skyrocketing of oil prices as a result

of that strategy. And this OPEC strategy is the first wave of changes in the nations' postures in this age of finite resources and energy and is a symbolical affair.

We have to cope with this age of changes cautiously but boldly. But there is one problem which makes it difficult to cope with the age of changes. It is the population explosion in the world.

Population Control

It took 100 years for the world population, which was one billion in 1830, to reach two billion, but during the short space of 30 years from that to 1960, the world population increased to three billion and then has risen to 4.4 billion today. It has been forecast that the figure will reach 6.2 billion by the end of the present century.

Can this earth, in this age of finite resources and energy, support this exploding population? Will food suffice? What will become of energy? Will our living environment remain healthy?

Needless to say, curbs on the population should be studied as a method to solve this problem, but the problem will not be settled by that alone. We have to hammer out revolutionary countermeasures on the side of supply and distribution of resources and energy. In other words, we have to take up the problems of "population" and "development" as the main themes in our effort to cope with this age of violent changes.

Food and energy should be the principal objectives of development for the time being. We have to encourage efforts to increase food production in developing countries. Brains and financial resources of the whole world should be mobilized to undertake various studies aimed at developing non-oil energy sources, such as nuclear fusion.

We have to overcome two hurdles. One is the impending crisis and the other is the limited availability of resources and energy. Only when we overcome these two hurdles, mankind will be assured of survival and happiness.

Japan Warned of Complacency

Tokyo THE DAILY YOMIURI in English 3 Dec 81 p 1

[Text]

Japanese panelists were generally more optimistic than their Western counterparts on the energy question in the second-day session Wednesday of the international symposium on "Security, Peace and Survival" at the Japan National Press Club in Tokyo.

Wednesday's session of the symposium, which is to be held until Friday under the joint sponsorship of the London-based International Institute for Strategic Studies, The Yomiuri Shim-bun and Tokyo Colloquium, concentrated on the security aspects of economic interdependence.

The morning session discussed Japan's roles in the international economic scene based on the advance

text of the principal speech by Tetsichiro Morinaga, former governor of the Bank of Japan and chairman of Tokyo Colloquium.

Morinaga was scheduled to deliver the speech in person but he could not because of illness. (Advance text, P5).

Western and Japanese panelists were more or less divided over the perception of what roles the world is expecting of Japan. Par-

ticipants from the US and Western Europe were largely critical of complacency on the part of Japan.

The question of energy and raw materials was debated, based on papers prepared by Ryukichi Imai, Japanese ambassador to Kuwait, Robert Perlman, managing director of Commodities Research Unit Limited, of Britain, and Kenichiro Yamamoto, managing director, Nonferrous Division of Mitsubishi Corporation.

Imai discussed the global energy problem in his paper titled "Energy and National Security—Implication for East Asia" while Perlman and Yamamoto

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touched on the issue of raw materials in their respective papers.

Again on the issue of energy and raw materials, Japanese and Western panelists, with a few exceptions, were wide apart in the perception of the current situation and future prospects, with the former taking a more or less optimistic stance.

Various uncertain factors were pointed out in connection with the Middle East. Among them are possibilities of another Israel-Syria conflict, a civil war in Iran and an overthrow of the Iraqi regime.

A possibility was also pointed out by a panelist that Saudi Arabia will resort to the oil weapon again to force Western concessions on such problems as the Palestine issue.

Some panelists, however, denied the possibility of another oil embargo, saying it is highly unlikely. They cited as reasons the oil glut and the loss of the Organization of Petroleum Exporting Countries' bargaining position in oil deals.

In the afternoon session,

discussions shifted to maritime transport and security of supplies based on papers prepared by Yoshiya Ariyoshi, board counselor of Nippon Yusen Kaisha, Osamu Kaihara, author-commentator on national security affairs and Finn Solle, director of The Fridtjof Nansen Foundation at Polhogda, of Norway.

The Japanese are more optimistic than Westerners about the security of sea-lanes, Western panelists pointed out. As potential threats to the security of sea-lanes for the West, some panelists pointed to the growing strength of Soviet Naval forces and Soviet expansion of merchant shipping routes.

Soviet expansion of commercial shipping routes is motivated by its desire to get more foreign currency to subsidize its modern technology, to demonstrate the Soviet presence, to make it much easier for the Soviet Navy to act in times of crisis and to drive Western shipping companies off international sea-lanes, it was also pointed out.

In this connection, it was also pointed out that the Soviet Union is pushing ahead with a plan to open northern shipping ports in the 1990s which are available for the whole year, posing a potential threat to the security of the West.

As one suggestion for an increased Japanese role in the international community, a Western panelist said that Japan could make a major contribution to strengthen the economic prosperity of the Pacific region which he said has a high potential in the years ahead.

He also suggested that Japan take steps to increase domestic demand instead of concentrating on overseas markets.

Security issues in relation to Southeast Asia, the Korean Peninsula and China will be discussed in the third-day session Thursday based on papers prepared by Nayan Chanda, diplomatic correspondent of The Far Eastern Economic Review, Kenro Shimamoto, senior editor of The Yomiuri Shimbun and A. Doak Barnett, senior fellow of The Brookings Institution.

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POLITICAL AND SOCIOLOGICAL

KOMEITO'S POLICY SHIFT

Tokyo THE DAILY YOMIURI in English 4 Dec 81 p 2

[Editorial]

[Text]

At its three-day national convention which ended Thursday, the Komeito party formally decided to modify its policies on security and defense. The policy shift, which apparently aims to place the party in position to take part in some future government, virtually concedes that the defense forces are constitutional and also commits the party to continue the Japan-US security treaty.

It has taken Komeito four years to reach its new policy after a series of intraparty debates. Since the issue involves the party's basic principles, the convention focused on whether the new policy did not contradict the party's fundamental antiwar stance, and also whether there was no danger of becoming associated with the Liberal-Democratic Party's (LDP) defense buildup position.

Komeito executives dismissed all these doubts, saying that there were no grounds to fear that the party was leaning toward the right. This will have to be proved by the party's future behavior.

No True Position

Any political party seeking to come into power some day needs to propound realistic policies in order to gain wide public support. It is therefore nonsense for the Komeito to say that it will sanction the status quo. It means that the party has no true position of its own. What one expects of an opposition party are flexibility and functioning to check the excesses of the ruling party.

Komeito executives reassured the national convention that the party would uphold the peace-seeking constitution, that it opposed any step to turn Japan into a military power and that it would strictly adhere to the three nonnuclear principles. They also said they would oppose military conscription, any dispatch of defense forces overseas and the exercise of collective defense.

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The LDP has been making all these claims all along. What, for example, is the difference between the Komeito's "territorial maintenance capability" and the LDP's "defense only" policy? One cannot blame Komeito party members if they are bewildered.

One Good Idea

The Komeito convention came up with one good idea when it decided to set up an international disarmament and peace movement organ headed by party chairman Yoshikatsu Takeiri, obviously in view of the UN special General Assembly for international disarmament scheduled next June.

As for any future coalition government, the party convention decided that it was necessary to seek a new alignment although it will maintain its past policy of joining with the Socialist Party (JSP) and the Democratic-Socialist Party (DSP) in addition to the New Liberal Club and the United Social Democratic party (USDP).

This talk of a new alignment suggests Komeito's disenchantment with the JSP. It will be impossible for the Komeito to spurn a coalition with the conservatives as long as the JSP fails to take a realistic line. A coalition of the middle-of-the-road parties only will not lead to ruling power.

But it is difficult to see what real difference it would make when the Komeito joins the government. In this sense, the party convention this time was not satisfactory.

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NIKAIDO'S BRIGHT FUTURE

Tokyo THE DAILY YOMIURI in English 4 Dec 81 p 3

[Article by Raisuke Honda]

[Text] The appointment of Susumu Nikaido of former premier Kakuei Tanaka's faction to the post of secretary-general of the ruling Liberal-Democratic Party (LDP) is the first major move toward the goal of making Nikaido prime minister.

Tanaka came to the conclusion that Nikaido was capable of serving as prime minister and started making moves to place him in the position shortly after the sudden death of prime minister Masayoshi Ohira and inauguration of the Suzuki cabinet.

Tanaka made strenuous efforts to place Nikaido in the position of chairman of the LDP Executive Board when Suzuki became prime minister last year. At that time, there was strong criticism against a "gray official" in the Lockheed payoff scandal serving as an important party executive.

In the past one and a half years, Nikaido virtually has controlled the party's business by using the powerful Tanaka faction as his "arms and legs." Yoshio Sakurachi, now foreign minister, was merely a "token" executive when he was secretary-general.

With such a background there was no strong opposition from other factions against the appointment of Nikaido as secretary-general.

In such an atmosphere Tanaka and Nikaido apparently have grown in self-confidence.

It is very possible to imagine that the Tanaka faction promised it would support the reelection of Suzuki as party president in the presidential election scheduled for next autumn in return for the appointment of Nikaido as secretary-general.

In reshuffling the cabinet, Suzuki emphasized administrative reform and economic policy including elimination of trade friction as the two major tasks for his cabinet. With this excuse he kept faction leader Yasuhiro Nakasone in the same

position of director-general of the Administrative Management Agency and another faction leader Toshio Komoto also in the same position of director-general of the Economic Planning Agency.

In this way, Suzuki kept them in the cabinet but in less prestigious positions.

Nakasone and Komoto wanted to assume such important posts as finance minister or foreign minister but were coaxed to keep the present posts by the premier.

But Suzuki said that he would like to have so-called "new leaders" work hard at the same level and appointed Kiichi Miyazawa as chief cabinet secretary, Ichiro Nakagawa as director-general of the Science and Technology Agency, Shintaro Abe as international trade and industry minister, Rokusuke Tanaka as chairman of the Policy Board, Michio Watanabe as finance minister and Noboru Takeshita as deputy secretary-general.

Suzuki's strategy in the reshuffle seemed aimed at complying with pressure from the new leaders to rejuvenate the cabinet while boxing in Nakasone and Komoto.

Of course this strategy might have been worked out among leaders of the Tanaka and Suzuki factions.

If Suzuki is reelected in the election next year, his administration will last until November 1984.

Before then, an election for the House of Councillors and unified local elections will be held in 1983. Tanaka reportedly wants to add the election for the House of Representatives to the two other elections in 1983.

This plot would hinder cooperation among the opposition parties and help preserve the LDP majority in the Diet.

If the LDP succeeds in winning a working majority in the triple election, there will be no political Armageddon between

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the ruling and opposition parties for several subsequent years.

This would be a good opportunity to realize the Nikaido cabinet. At a recent press conference, Suzuki stressed that Nikaido had contributed greatly to Japanese politics despite the fact that public opinion was against him as a "gray official."

Even though a prime minister Nikaido in the future may seem impossible, strange and possibly abhorrent to some, Tanaka's strategy cannot be dismissed lightly.

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POLITICAL AND SOCIOLOGICAL

RESHUFFLE SEEN AS REELECTION STRATEGY

Tokyo THE DAILY YOMIURI in English 1 Dec 81 p 1

[Text] Prime Minister Suzuki, in an attempt to win enough support among the ruling Liberal-Democratic Party (LDP) to be reelected president of the party and premier next autumn, took little initiative in carrying out Monday's reshuffle of his own cabinet and the party's executive posts.

Limiting his role to backstage coordination rather than strong leadership is Suzuki's traditional political role, but observers said the current reshuffle is a well-calculated strategy to stay in power.

The real prime movers of Monday's changes were two strong men of the party—former prime ministers Kakuei Tanaka and Takeo Fukuda. Their preferences were reflected heavily in the cabinet and top LDP lineups.

The two senior leaders command dominant power within the ruling party, and Suzuki could not function without their support. Suzuki chose to tie his fate to that of Tanaka and Fukuda.

The premier's support is now based on a delicate balance of power, primarily between the Tanaka and Fukuda factions. Key party posts went to the Tanaka faction while Fukuda's fol-

lowers took some of the central cabinet portfolios.

Tanaka was successful in sending his right-hand man, Susumu Nikaido, to the second highest post in party hierarchy, secretary-general. With a powerful command on personnel and financial affairs of the LDP, the post is regarded as an important stepping stone to the premiership.

Also among the Tanaka followers, Hajime Tamura was picked as chairman of the party's Diet Policy Committee while Noboru Takeshita became acting secretary-general.

Rokusuke Tanaka, former minister of international trade and industry and a member of the Suzuki faction, who was appointed chairman of the Policy Affairs Research Council, was also known for his pro-Tanaka stance.

Fukuda's influence was evident in the new cabinet. Shintaro Abe, a leading member of the Fukuda faction and son-in-law of former Prime Minister Nobusuke Kishi, assumed the post of international trade and industry minister.

Government sources say Fukuda was eventually given a free hand in the selection of the new foreign minis-

ter. The post went to Yoshio Sakurachi, former party secretary-general. Although he belongs to the faction led by Yasuhiro Nakasone, he is a relative of Fukuda.

The latest cabinet and party reshuffles were unusually free of factional clashes. Credit belongs to the smart, wait-and-see tactics of Suzuki. He made the reshuffle timetable widely known well in advance and simply watched other party people to reach a consensus.

His tactics worked particularly well in the case of Nikaido.

For the prime minister, Nikaido was the best person for party secretary-general. Nikaido is one of Suzuki's old friends and in the words of a Suzuki aide his most reliable ally in his fight for reelection.

But Suzuki remained mum, fearful of a possible public uproar over putting Nikaido on the comeback trail after his fortunes began to fall because of his involvement in the Lockheed payoff scandal.

The Tanaka faction went all out to push Nikaido into the central party post. When the consensus was reached in favor of Nikaido within the party, Suzuki simply agreed.

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APPEARANCE OF HARMONY SAID TO CONCEAL 'DEALS'

Tokyo MAINICHI DAILY NEWS in English 2 Dec 81 p 2

["Nagatacho Doings" Column by Takehiko Takahashi: "Intimidation and Deals at Back of 'Wa'"]

[Text] Prime Minister Zenko Suzuki has stated all along that "politics based on Wa (harmony)" will be his basic posture. But it is difficult to understand what "Wa" is. This is because "Wa" is often, in reality, built up by "intimidation" and "deals."

Upon looking at the Diet, the impression is strengthened that "Wa is a product of intimidation and deals." This also holds true in the just ended extraordinary Diet session.

After declaring that he would stake his political career on administrative reform, Prime Minister Suzuki set up the Second Ad Hoc Council on Administrative Reform. Suzuki also promised that he would fully respect the recommendations of the ad hoc council.

The task of the extraordinary Diet session this time was to put the first stage recommendations by the ad hoc council into practice. This was the "Special Law on Administrative Reform." Although the period of the Diet session was extended, this special law was approved. Accordingly, Prime Minister Suzuki achieved the purpose of the extraordinary Diet session.

Moreover, the Special Law on Administrative Reform was approved without the Liberal-Democratic Party passing it single-handedly or railroading the bill through the Diet. Thus the bill was approved through the "Wa" that Prime Minister Suzuki speaks of.

Nevertheless, it cannot be ignored that "intimidation" and "deals" existed in order that this appearance of "Wa" could be presented. In the House of Representatives stage, mediation for Korokyo (Council of Government Corporation and Public Enterprise Workers' Unions) became the tool for deals.

Raising wages may be natural in an enterprise like the Nippon Telegraph and Telephone Public Corporation, where the management is in the black. It is problematical whether it is proper to raise the wages of the employees of the Japanese National Railways whose management is deeply in the red. The opinion was strongly held within the government and the LDP that even if the wages were to be raised, this should not be done in accordance with the mediation decision.

Career At Stake

But against this, the Japan Socialist Party threatened that "if the mediation decision is not accepted, we will not cooperate with the discussions of the Special Law on Administrative Reform." For Prime Minister Suzuki, the Special Law on Administrative Reform was one wing of the realization of the administrative reform on which he had to stake his political career.

Consequently, acceptance of the mediation decision was offered as the material for a deal with the Japan Socialist Party's intimidation. As the result, the mediation decision passed the House of Representatives with the appearance of "Wa." At the same time, it became necessary for the government to accept the mediation decision.

A similar kind of intimidation and deal took place in the House of Councillors. The material for the deal this time was the National Personnel Authority's recommendation for a revision of salaries. Chairman Kazuo Tamaki of the House of Councillors' special committee on administrative reform decided early on the arrangements and had already reached an agreement with the opposition.

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Notwithstanding, the Ministry of Finance was opposed to accepting the National Personnel Authority's recommendation. Prime Minister Suzuki's thinking also approximated that of the Finance Ministry. This was partly due to actual financial reasons, but more than that, the second ad hoc council had recommended that the salaries of government employees be restrained.

If the National Personnel Authority's recommendation were to be accepted easily, a feeling of mistrust in Prime Minister Suzuki was bound to be expressed, namely that "although Prime Minister Suzuki has declared that he would stake his political career on administrative reform and would respect the recommendations of the second ad hoc council, the way he acts is entirely different."

If this were to lead to the resignation of Chairman Toshiwo Doko of the second ad hoc council, Prime Minister Suzuki would be placed in a difficult situation politically.

It was Chairman Tamaki who "intimidated" this feeling of Prime Minister Suzuki. Tamaki took the position that if the extraordinary Diet session were to be concluded by ignoring the recommendation of the National Personnel Authority, then the Special Law on Administrative Reform would not be approved.

Earlier Tamaki had already presented the National Personnel Authority's recommendation as the material for a deal and obtained the opposition's promise on the special law. If the promise with the opposition were broken, it would be necessary for him to leave the post of chairman.

Thereupon Chairman Tamaki

met Prime Minister Suzuki and carried out a direct "intimidation." Suzuki could not help but bow before Tamaki's "intimidation." By holding down the Finance Ministry's opposition, he had to act in a way that would be for the sake of the Special Law on Administrative Reform.

As a result, as in the case of the House of Representatives, the Special Law on Administrative Reform passed the House of Councillors with the appearance of "Wa" and without the single-handed passage by the LDP or being railroaded through.

In this way, "intimidation" and "deals" are the true picture of the political world. It should be borne in mind that it is on top of these two factors that an appearance is made by the "Wa" that Prime Minister Suzuki speaks of.

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MILITARY

'LACK OF BENEFITS' TO JAPAN FROM U.S. SECURITY TREATY CITED

Tokyo THE JAPAN TIMES in English 29 Nov 81 p 2

[Article by Hisao Maeda: "So Who's Getting the 'Free Ride'?"]

[Text] Once the custom in this country was to sell goods on credit and settle the account once a year at the year-end. If the creditor failed to collect the debt by midnight Dec. 31, he had to wait for another year to settle the accounts. That was why debtors did their utmost to flee from creditors and creditors went all out to chase them before New Year's Eve as is described with such liveliness in so much of our literature and many comic tales.

Today, Japan-U.S. relations seem to be that of the debtor and creditor on a New Year's Eve of bygone days. The United States is trying to catch Japan, in the manner of the creditor, and Japan, like the debtor, is doing its best to flee from the pressure of the United States. This is most fallacious because, in my view, the Americans who are chasing the Japanese as though they were the creditors are actually the debtors and the Japanese who run about thinking they are the debtors are really the creditors.

Working for Washington?

That the United States behaves like the creditor is evi-

dent from the so-called "free ride" argument concerning the Japan-U.S. Security Treaty. According to Washington, Japan, while facing a serious military threat from the Soviet Union, makes little effort to defend itself, taking shelter behind the security treaty and enjoying economic prosperity at the expense of the U.S. and its huge military expenditures. The Americans assert that, now that Japan has come to rank with the Soviet Union in terms of economic power, Japan should increase its defense capabilities so that the American military burden would be lightened.

As everybody tends to interpret a situation to his own advantage, it may be unavoidable for the U.S. to have a self-centered view of the situation. What bothers me, however, is that there are people in Japan who are unable to regard things other than from the American viewpoint. They swallow the American assertion, drum up the Russian military threat, clamor for the beefing up of Japan's defense power and lament the Japanese people's "lack of understanding" of security problems. In short, their behavior makes them look like agents for Washington. Most representative of them is probably the

Defense Agency. Thus our government, with an internal "Washington agent," has a hard time finding a proper path between Washington pressures for bigger defense spending and the people's unwillingness to increase the nation's defense capabilities.

The fact is, we actually have no call to run about trying to escape from the U.S. pressure. It is Japan, not the United States, who is being forced to make sacrifices because of the security treaty. This becomes clear if one analyzes conditions affecting the security of Japan. What are they? In my opinion, there are two basic factors in considering Japan's security.

Protected by Sea

The first is that as a result of defeat in World War II, Japan has lost all military points of dispute it had had with its neighbors including the Soviet Union, and no new points of conflict have since been created with any nations of the world (excepting the existence of the U.S. military in Japan which might serve as a military point of dispute with the Soviet Union).

As is well known, prewar Japan had constant disputes with its neighbors over interests on the Asian continent, which finally led Japan to war. As a result of defeat in the war, we

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lost all our overseas territories and interests and, furthermore, all the points of military dispute Japan had had with its neighbors were settled in a way satisfactory to those countries. And the subsequent economic development and prosperity of our nation have resulted from our own diligence, hard work and free international economic exchanges that in no way could have given rise to any new cause for military disputes.

The second basic factor is that, again as a result of defeat, Japan was forced back into the four main islands of the Japanese archipelago which is separated from all other countries by the sea. That this fact has a highly important relevance to security can be seen by picturing East Europe and West Europe separated by a sea, even of the breadth of the Strait of Dover. Were this the case, West European countries would not be as worried about the threat of the Soviet Union as they are now because what they fear most are neither Russian theater nuclear forces nor the Soviet Union's mighty air power, but instead the overwhelming Russian army with its massive tank force that could drive across their borders and trample through their lands. An ocean lying in between two countries is a major deterrent to the use of land forces.

As long as we have no military points of dispute with the Soviet Union and possess some defense capabilities, the military threat from the Soviet Union can be considered negligible for our country, surrounded as it is by the sea.

In spite of this, the Defense Agency, which feels that its *raison d'être* would be threatened if there were no military threat to Japan, argues as though massive Russian forces were on a constant vigil looking for a chance to invade Japan. The agency's theoretical

ground for this scare scenario is the theory of the confrontation of the two camps. In its latest Defense White Paper, the agency included Japan as a member of the Western camp and emphasized the need for a Japanese defense buildup for the solidarity of the West.

However, the East-West confrontation pattern that existed in the period just after World War II has become a thing of the past. Communism, which had vast influence in various parts of the world in the chaotic days immediately after the war, has lost its ideological vitality and the Communist bloc which once boasted a monolithic unity has been badly split up. The so-called Western camp has withered down geographically as most of the former colonies of Western powers have deserted the camp under the banner of non-alignment. Further, the Western camp is viable only when it has the Eastern camp as an adversary. The collapse of one is liable to lead to the crumbling of the other.

It was none other than the United States itself which taught Japan the harsh way that the East-West confrontation had become relegated to the past by abruptly mending its fences with Beijing in 1971 (leaving Japan completely in the dark as to its intentions). Washington put an end to the East-West confrontation myth by befriending Communist China at the expense of its staunch anti-Communist ally, Taiwan, in order to strengthen its strategic position against Moscow.

Now there is no confrontation that divides the world into two camps, led respectively by the United States and the Soviet Union. What is left on the world stage after the close of the East-West confrontation drama are the U.S.-vs.-Soviet confrontation, the U.S.-West Europe-vs.-the-Soviet Union-East Europe con-

flict and the confrontations between individual countries in other parts of the world. And none of these concern Japan.

The U.S.-Soviet competition for military supremacy with the deployment of nuclear missiles and armed forces all over the world is their problem, not ours. The confrontation on the European continent across the borders between NATO powers and Warsaw Pact countries, each with massive forces, is a European issue but not ours. Now that there is no longer an East-West confrontation, our nation must regretfully relinquish the honor of becoming a member of the West thereby being exposed to the military threat of the Soviet Union.

U.S. Bases

But if still you must prove the existence of a Russian military threat to Japan, there is one way to do it. It is to point out the existence of U.S. military bases in Japan. This all but shatters the logical foundation of the argument for safeguarding the Japan-U.S. Security Treaty as being propagated by the Defense Agency and its friends.

In other words, the Japan-U.S. Security Treaty is an unnecessary, trouble-inviting factor for our country. That the Self-Defense Forces and U.S. forces together serve as a joint deterrent against a Russian military invasion of Japan is but an illusion. As we approach the dawn of the 21st century, we are not living in the world of Genghis Khan. No country, no matter how great its military muscle might be, can attack another country today without a military point of dispute.

Nuclear Umbrella Unnecessary

We do not need the U.S. nuclear umbrella. It is none other than the United States and the Soviet Union which are most afraid of restraint against the use of nuclear weapons being lifted. The Soviet Union is most unlikely to

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use nuclear weapons unless its national existence is threatened, and such a situation is unthinkable between the Soviet Union and Japan.

Our merchant marine cruises the seven seas of the world according to the principle of free passage on open seas and needs no protection by the U.S. Navy. Sea blockade is an offensive means of very high order used only at a time of war or in a military conflict and there is little fear of our commercial vessels being intercepted by the Soviet

Navy.

The only problem concerning possible overspill of conflicts in our vicinity is the tension on the Korean Peninsula, but this is the problem of the Korean people and not ours. If a new clash occurred there, the only direct impact on our country would be the problems of refugees and runaway troops with which Japan can properly deal within the present SDF capacity.

As reviewed here, it can be said that the Japan-U.S. Security Treaty holds no benefits at

all for our country. It is not an overstatement to say that the U.S. forces in Japan comprise the only military point in dispute with the Soviet Union. Nevertheless, we provide the U.S. forces with vast tracts as military bases in proportion to our limited land area and make expenditures out of a tight budget for building military bases. Thus it becomes unquestionably clear who is getting the free ride out of the Japan-U.S. Security Treaty. Who will be chasing whom next New Year's Eve?

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ECONOMIC

EXPERT ON JAPAN'S ROLE IN WORLD ECONOMY

Tokyo THE DAILY YOMIURI in English 3 Dec 81 p 5

[Speech by Teiichiro Morinaga, former governor of Bank of Japan, at the International Symposium on 'Security, Peace and Survival' held in Tokyo: "Japan's Growing Role in World Economy"]

[Text] I would like to express my beliefs about what Japan should or can perform in the international economy and some other related problems. My theme is "The Japanese Economy in the World Economy."

First, I would like to say a few words about Japan's position in the world economy. If we examine the weight of Japan in the world economy and the peculiarities of this nation's balance of payments, we notice the following facts:

Japan's Position

First, the weight of Japan in the world economy has rapidly increased in recent years and has reached a considerably high level. Japan's GDP represents more than 13% of the total GDP of the Free World and is the second largest in the world.

Second, the balance of payments pattern in which the current-account balance is in the black and the long-term capital balance is in the red has become stable except during unusual periods, such as the times of the oil crises and the subsequent periods of adjustment. Even after the first and second oil crises, the current-account balance turned black in a relatively

short period of time because of a vigorous growth of exports, and this fact certainly indicates the strength of Japan's current-account balance.

Third, Japan's trade balance has a pattern in which the large deficits in trade with oil-producing countries are offset by the surpluses in trade with nonoil developing countries and advanced nations.

The facts which I have now pointed out impose a heavy role on Japan in the management of the world economy but they also indicate a chronic possibility that problems will arise between Japan and other countries.

Now, let me examine the relations between Japan and the rest of the world under such circumstances from three angles: International specialization in trade, capital advances overseas by Japan and co-operation in policies.

International Specialization

The basic efforts of all countries of the world should be directed at preventing a rise of protectionism and promoting free trade, and unquestionably, it is precisely in this direction that the greatest con-

tribution can be made to the total interest of the world economy. In such a sense, it is desirable that all the countries of the world regard each other's interest not as something incompatible with their own but as something interdependent, and seek the total interest of the world by joining their strength. This approach to the problem should furnish a clue to find a solution to the North-South problems. Western countries are now urging Japan to open its market to them and promote imports from them, and I think we should take steps to meet these urgings with a forward-looking attitude from the above viewpoint.

When we take a look at the present state of world trade, however, I receive the impression that the world is tending toward protectionism. This I regret. Trade friction among advanced industrial countries has been becoming more and more intense in recent years. This may be due to the fact that the growth of the world economy has slowed down since the oil crisis and the rapid expansion of the world market which supported free trade in the past has ceased to occur and that the differ-

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ence in the international competitive strength among advanced countries has become prominent.

Speaking of Japan, the market shares of principal Japanese export products, such as steel, automobiles and general machinery, in Western countries sharply increased in recent years and this complicated the problem of industrial adjustment in Western countries, causing trade friction. The so-called deluge of exports took place at times when the workers made jobless in one industry as a result of a deluge of imports cannot be absorbed smoothly in other industries, the unemployment can pose social and political problems. It will become necessary for the exporting country to take steps to mitigate the pain in the affected country in one way or other.

As other cases where exceptions to the principle of free trade are justified in some degree, it has been pointed out that exceptions should be allowed when there is a need to protect an infant industry or there is a need to protect the farmers from the viewpoint of national security. At any rate, we cannot deny that the problem of international specialization is not so simple as can be settled by laissez faire policy.

Then, what minimum steps are permitted for protection? In cases where protection is necessary for a relatively long period of time, as in the case of protecting an infant industry or agriculture, government subsidization is considered appropriate because it enables the price mechanism to work properly. But a subsidy, once granted, is very difficult to stop. It can spoil the recipient industry by encouraging it to retain the weakness of its competitive strength and neglect effort to improve its efficiency. This should be kept in mind. Then, such

steps as safeguard or voluntary export controls may be less harmful for the protection of an industry in emergency.

However, there is a problem: Both voluntary export controls and the so-called selective safeguard discussed at the Tokyo round earlier are tantamount to approval of steps for a specific country as a way to settle trade friction. This is incompatible with the nondiscrimination policy which is the basis of GATT. Therefore, if the application of such steps spreads, it may upset the international economic order.

Japan has a very strong potential for economic growth and a very great international competitive power. Moreover, Japan stands to enjoy the full benefit of free trade. Therefore, it should endeavor to export in an orderly manner and while doing so should perform the key role in the making of rules for international specialization.

Next are the problems in overseas capital advances. There can be two forms of overseas capital advances. One is the advances on the monetary side of things only, such as acquisition of foreign stocks or bonds through the market. The other is advances of managerial know-how or industrial technology through direct investment in foreign countries.

Overseas Capital Advances

Motivations in direct investment are diverse. In some cases, it is the advance overseas in expectation of profits in the future. In some others, it is to mitigate the pressure urging voluntary export restraints, induced by trade friction. In the host country, there are expectations of an "education effect," that is, obtainment of foreign managerial know-how and industrial technology,

in addition to the expectation of such direct effects as an increase in jobs.

As examples, I would like to take up the problem of advances in the US by the Japanese motor vehicle industry and the problem of capital advances in developing nations by Japanese companies.

As you know, the problem of advances in the US by the Japanese motor vehicle industry originated in the Japan-US trade dispute over automobile exports to the US. On the American side, it is expected that if a Japanese automaker makes direct investment in the US for the production of automobiles in that country, there will be a double benefit: Jobs will be created for American workers without reducing the availability of subcompact cars of a good gallon-mileage, which the US consumer needs. Thus, the US welcomes direct investment by Japanese automakers, but Japanese automakers are not willing to start action because they fear they may encounter difficulty in labor management and procurement of parts in the US and because even if Japan-made vehicles have an international competitive edge on foreign markets, it does not follow that overseas advances by Japanese automakers are destined to be a success.

Therefore, regarding direct investment, the government must strictly refrain from making administrative intervention and respect the judgment and freedom of action of each automaker.

In developing countries, on the other hand, Japanese companies are very willing to make capital advances because the Japanese economy is based on processing trade. From the viewpoint of co-prosperity with developing countries, capital advances in these countries should be made by paying attention to the following three points:

First, direct investment

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in a developing country can make up for the shortage of savings in the host country and also contributes to the improvement of its technological level and furnishes an opportunity to educate technicians and workers in that country.

Second, each developing country must have a development plan of its own, and the structure of industry envisaged in such a plan may differ from the structure of industry which Japan expects to see from the viewpoint of its processing trade. Therefore, this difference can be a cause of criticism that Japan is an economic aggressor.

Third, it has been pointed out as a problem in direct investment by an advanced country in a developing country in general that a company making capital advances often imposes disadvantageous conditions on the partner company in the host country, such as banning export of the products to areas outside a specific region. Such a restrictive way of making direct investment is open to question.

The second and third points should be given enough consideration from the viewpoint of settling the North-South problems.

Cooperation In Policies

I would like to discuss cooperation in policies, which is my last theme, from two angles: Foreign aid policy and demand control policy.

In the light of Japan's role in international society, it goes without saying that Japan must expand its official development assistance to developing countries, but we should remember the following three things:

First, the purpose of assisting a developing country is to back up the effort for development by the developing country itself. It presupposes self-help effort by the country which receives the assistance. It

goes without saying that the driving force behind development and progress of a nation is the willingness for nation-building of its people.

Second, both the assisting country and the recipient country should make utmost endeavors to ensure that the funds furnished in assistance be used for development effectively and efficiently.

The third is the importance of technological assistance. In view of the shortage of technicians and skilled workers in developing countries, more assistance for education and training should be extended.

In foreign aid, an increase in quantity is not the only important thing. A more important thing in foreign aid is innovative effort which will be really welcomed by the recipient country.

In this connection, I would like to say a few words about the cumulative liabilities in nonoil producing developing countries. In nonoil producing developing countries whose balance-of-payments positions are weak, heavy deficits in the balance of payments are snowballing and external liabilities are posing a serious problem. If such countries become insolvent, its effect on the international monetary order will be tremendous. To solve this problem, such steps as facilitating financing by the IMF or the World Bank and rescheduling that redemptions should be taken, but a more basic issue is what to do with the economic development of nonoil producing developing countries. From this viewpoint, the problem of nonoil producing developing countries is vitally related to the attitudes of advanced countries toward the North-South problems.

Locomotive Concept

Regarding international cooperation in demand control, as you know, a policy concept called the locomotive

concept was proposed after the first oil crisis and much debates were held. But how to set the growth rate of the economy or the target for fight against inflation is up to each country concerned. Interference in other countries' policies about these things should be avoided. However, because every country's economy is dependent on other countries' economies through foreign trade and international transfers of capital, the demand control policy of one country inevitably affects the economies of other countries.

Now that the Japanese economy has attained a large scale and imports to Japan have an overwhelming share of the world market for principal resources, it is not surprising at all that foreign countries have a keen interest in Japan's demand control policy. Therefore, Japan should always pay attention to the effects which the changes in the Japanese economy produce on the world economy and should leave nothing undone to ensure proper policy enforcement.

I wanted to say a few words about the philosophy underlying the demand control policies in various countries. The recognition that curbing inflation is a prerequisite to the maintenance of the economy's power for growth has begun to be accepted in many countries. Inasmuch as it is evident that curbing inflation and ensuring economic growth are not in the relationship of trade-off but are compatible with each other, Japan should bend its energies to curb inflation, and this is the best way for this nation to contribute to the stable expansion of the world economy.

I have discussed the roles which Japan should perform for the world economy hereafter. I want to emphasize that freedom and cooperation should be the basis for Japan's policy toward the international economic community.

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ECONOMIC

U.S. ASKS JAPAN TO END TARIFFS ON 29 COMMODITIES

Tokyo JAPAN ECONOMIC JOURNAL in English Vol 19, No 982, 24 Nov 81 pp 1, 19

[Text]

The U.S. Government last week submitted a request to Japan asking that it swiftly do away with tariffs on 29 products and rectify non-tariff barriers, such as by simplifying import procedures. The representation, in writing, was conveyed to the Japanese Foreign Ministry by William Barraclough, minister at the American Embassy in Tokyo.

In its latest request, the U.S. is said to have urged Japan to reduce its tariffs for computer mainframes, peripheral equipment, auto parts, plywood, lumber and grapefruit to rail, and to have proposed incorporating this in the external economic measures which the Japanese Government intends to announce shortly.

At the same time, the U.S. proposed having its request taken up for discussion at the two-day meeting of the Japan-U.S. Trade Group to be held in Tokyo on December 9-10.

The U.S. Government was known to be strongly pressing Japan to make concessions on the points that it has enumerated on the grounds that the one-sided imbalance in bilateral trade in favor of Japan was sorely straining Japanese-American relations in general.

While Washington already has suggested an agenda of 21 points to be taken up at the trade group meeting concerned with liberalization of Japan's market, such as with regard to high technology, lowering of tariffs and abolishment of import quotas for farm products, the latest request particularly concentrates on tariffs and non-tariff barriers.

Its key feature is that it refers to specific commodities, and takes up computer-related tariffs from the very outset.

As for this phase, Japan now imposes a tariff of 10.5 per cent on the mainframe of computers and a 17.5 per cent tariff on peripheral equipment. The corresponding U.S. rates are only 5.5 per cent for both classifications. The U.S. wants Japan to abolish its tariff directed at it.

Japanese computer quarters, however, are already deeply alarmed by the U.S. request, stating, "If this is done, Japanese makers are going to be dealt a devastating blow."

These quarters cite, that International Business Machines Corp., America's top computer maker, now has the second largest share of the domestic computer market after Fujitsu Ltd., and its subsidiary in Japan, IBM Japan

Ltd., imports a considerable amount of finished products and parts from the U.S.

Actually, Japan has been running a deficit in computer trade with the U.S. According to the Finance Ministry, Japan's imports of computer mainframes and peripherals from the U.S. last year totaled ¥152,889 million. The import value was about five times larger than Japan's such exports to the U.S. (See related story on Page 9.)

If tariffs in this area are greatly lowered or reduced to zero, IBM's competitiveness within Japan further is going to increase, and this also is going greatly to favor other large American makers, such as Sperry-Univac, they hold.

In the Tokyo Round of multilateral trade negotiations, Japan pledged to reduce tariff on computer mainframes to 4.9 per cent and that for peripheral equipment to 6 per cent by 1987.

It is believed that the U.S. now aims at getting Japan to reduce the tariffs to zero at once or, if it cannot, to have it advance the date of its tariff reduction.

Up to this time, the U.S. frequently has asked Japan to open its market to products of high technology. As a result,

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the two governments only recently reached agreement on advancing the tariff reduction goal for integrated circuits set in the Tokyo Round, that is, to 4.2 per cent by 1987, to April, next year. The government quarters here thus feel that the U.S. this time has turned the focus of its attention to winning a fresh concession in the computer field.

In the latest U.S. move, Washington also wants Japan to reduce to nil tariffs for farm products coming under quotas, such as grapefruit. Last month, U.S. Agriculture Secretary John Block sought a review of such quotas when he visited Japan. It now appears that the U.S. will take up this issue and also press for an abolishment of tariffs at the December trade group meeting.

The U.S. also has come out strongly this time to seek a drastic review of non-tariff barriers, such as: 1) speeding of customs procedures in general; 2) simplification of inspection and standards relative to plywood, autos, processed foods and cosmetics; 3) revision of quarantine regulations as to animals and plants; 4) recognition of American baseball bats, tennis balls and other sporting goods by private Japanese sports organizations.

In addition to this, the U.S. already has been pressing for realization of eight "demands," such as a review of the agreement on procurements by the Nippon Telegraph & Telephone Public Corp., other agreements on tobacco and leather goods, and matters pertaining to decontrol of the service and financing fields, and investment.

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ECONOMIC

COUNCIL TO HURRY REVIEW OF NON-TARIFF BARRIERS

Tokyo NIHON KEIZAI SHIMBUN in English 27 Nov 81 pp 5-6

[Text]

The improvement of Japan's non-tariff barriers has become one of the most important problems to be studied by the Second Provisional Administrative Research Council (Chairman: Toshio DOKO), with the growth of the demand in Europe and the US for the opening of the Japanese market due to the dispute over the imbalance of trade. The Third Department (Director: President Masao KAMEI of Sumitomo Electric Industries) of this Council has begun to study earnestly how to simplify and rationalize import procedures, from the standpoint that the various complicated procedures, which must be taken to import such items as medicines, food and automobile parts according to the provisions of such laws as the Drugs, Cosmetics and Medical Instruments Law and the Road Transportation Vehicle Law, are partly responsible for the so-called "closure of the market." Prime Minister SUZUKI hoped on the 26th that "The Provisional Administrative Research Council will take upon itself the task of reviewing Japan's non-tariff barriers, as part of the measures for the reduction of the affairs requiring approval of administrative authorities." This is expected to give impetus to the deliberations on this problem. Concrete measures for the improvement of the non-tariff barriers will be incorporated into the interim report concerning the reduction of the affairs requiring approval of administrative authorities, which report the Third Department is scheduled to draw up as early as in January next year.

The Third Department of the Provisional Administrative Research Council set up the Sub-Committee on Administrative Business of Approval (Chairman: former Deputy Chief Cabinet Secretary Hiromori KAWASHIMA) at the beginning of October. This Sub-Committee has been reviewing the administrative business of approval in various fields for the "reduction of the people's burden," with major emphasis on such steps as lengthening of the period for automobile inspection and that for the renewal of driving licenses. At the outset, it did not attach importance to inspection of imported items. With the growth of criticism against Japan in Europe and the US due to trade friction, however, Director KAMEI of the Third Department recently has instructed this Sub-Committee to hurry the review of the import inspection system which is regarded as one of the non-tariff barriers.

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Under these circumstances, Prime Minister SUZUKI expressed his hope that the Provisional Administrative Research Council will take up the improvement of non-tariff barriers as part of the measures for the reduction of administrative business of approval, when he held consultations with Chairman HASHIMOTO of the Administrative and Financial Reform Research Council of the LDP on the way of carrying out administrative reform on the 26th. As a result, such problems as simplification of import procedures have come to the fore as the most important problems to be taken up by the Provisional Administrative Research Council at once.

In Japan, such imports as medicines and food must undergo inspection in accordance with the provisions of such internal laws as the Drugs, Cosmetics and Medical Instruments Law and the Food Sanitation Law. Other nations are strongly criticizing such import procedures on the following grounds: (1) Japan does not recognize the effect of the inspection carried out in other countries, making it necessary for these imports to undergo inspection twice in practice; (2) Inspection takes time because of the differences in industrial standards and other reasons; and (3) inspection procedures are often delayed.

Foreign nations think that such a system of import inspection is typical of non-tariff barriers. The US Government recently has presented a written request of the following import: (1) to simplify the standards and inspection procedures for such items as plywood, automobiles, processed food and cosmetics; and (2) to speed up customs procedures. According to MITI, the inspection system, the improvement of which has been requested by other nations, covers about 100 items. MITI says, however, that most of the steps requested by other nations can be carried out with the revision of Cabinet or Ministerial ordinances, and not of laws.

The Provisional Administrative Research Council's Sub-Committee on Administrative Business of Approval has already heard the explanations of MITI, the Welfare Ministry and the Agriculture-Forestry-Fisheries Ministry about the circumstances related to the simplification and rationalization of import inspection. It wants to step up the negotiations with the Ministries and Agencies concerned on the inspection procedures for the respective items, and present a concrete plan for improvement to the Third Department within this year, if possible.

The Third Department is scheduled to conduct its deliberations on the basis of the Sub-Committee's plan. Director KAMEI stated that "The request made by Prime Minister SUZUKI will give impetus to the discussions at the Sub-Committee meetings." He revealed the idea of taking up the improvement of non-tariff barriers as one of the key problems to be dealt with in the interim report concerning the administrative business of approval.

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ECONOMIC

AUTOMAKERS RESIST ANOTHER U.S. DEMAND FOR EXPORT CUT

Tokyo JAPAN ECONOMIC JOURNAL in English Vol 19, No 984, 8 Dec 81 p 7

[Text]

Japanese automakers appear prepared to fight to the bitter end against American moves to demand another cut in car exports to the U.S. in fiscal 1982 — a problem which the industry believes was settled through the government-to-government bargaining in May.

The remarks of Deputy U.S. Trade Representative David R. MacDonald in Washington last Tuesday aroused anger among Japanese car producers (related story on Page 1). An industry leader said, "It's nonsense. When an accord was reached between the two countries last spring, I heard nothing from our Government about the possibility of shipments in the second year being set smaller than in the first year."

Back in May, Japanese automakers unwillingly bowed to their Government's political consideration toward the U.S. They recalled the verdict of the U.S. International Trade Commission in November, 1980 that Japan-built cars were not doing damage to the American auto industry. They had second thoughts on reality, considering the

important relationship of their country with the U.S.

The automakers also believed in the U.S. Government's demand estimate in April that car sales in its country would revive to 9,500,000 in 1981, 11,500,000 in 1982 and 12,000,000 in 1983 after bottoming out in 1980 at the 9,000,000 level.

The American outlook, however, seems likely to fall short of actual figures. Sales this year will remain at some 8,700,000. As for sales in 1982, major U.S. banks and research institutes estimate them at 9,500,000.

Japanese industrialists claim that these estimated figures could allow them to export 1,810,000 cars to the U.S. in 1982. They cite the Tokyo-Washington accord in May that exports in the second year (April, 1982-March, 1983) be set at the first year's shipments of 1,680,000 plus 16.5 per cent of demand growth in the U.S. market.

Japan Automobile Manufacturers Association President Takashi Ishihara, in an interview with the Nihon Keizai Shimbun, said MacDonald must be hallucinated

in some way or other. The 1,680,000 units are the minimum export worked out on the basis of the past performances, the JAMA head said.

Ishihara, also president of Nissan Motor Co., told the NKS that Americans must have been fully cognizant of 1,680,000 Japanese cars entering their country this year, adding that if MacDonald refers to a restraint in the third year of the accord, that may alter the case.

He pointed out the recent remarks of U.S. Transportation Secretary Andrew Lewis in Tokyo that American car demand would take a recovery path toward the latter half of next year.

Behind the bitter reaction in Japan is the fact that the U.S. market has been proving the biggest profit source for Japanese automakers in face of the voluntary export curb now being enforced parallel with similar steps toward several European countries.

While facing visible saturation in domestic demand, Japanese car makers

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are striving to cover losses in export quantity with their efforts to maintain profits by switching their export models to expensive cars from economy ones.

Should exports to the U.S. be cut even further below the once-arranged level, the Japanese makers will be plunged into a serious plight in terms of their operating rate as well as profits.

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ECONOMIC

'MAKING COUNTER-PROPOSAL' TO U.S. EXPECTED AT TRADE CONFERENCE

Tokyo MAINICHI SHIMBUN in English 25 Nov 81 p 4

[Text]

According to a clarification made by a Government source on the 24th, the Government will request the US to improve the non-tariff barriers (NTB) on trade being imposed for reasons of "consideration toward national defense," at the Japan-US Trade Group Conference (Japanese side's delegate: Foreign Ministry Economic Affairs Bureau Director General FUKADA; the US side's delegate: Deputy Special Representative for Trade Negotiations McDONALD) to be held in Tokyo on December 9 and 10. As a result of holding talks among Ambassador to the US OKAWARA, who is home temporarily, and various Ministries concerned, on problematical points concerning recent Japan-US trade, it has been decided that the Japanese side, too, should request the US to apply a brake on import restrictions being enforced through the operation of non-tariff barriers, "for reasons of security," which reasons lack concreteness, in opposition to the US side, which is seeking of Japan the abolition of non-tariff barriers on high-level technological products and agricultural products. The Japanese side has decided to propose the improvement of the policy calling for the purchase of US-produced goods on a priority basis (buy-American policy) and customs practices, besides the above-mentioned national defense clause. In connection with mutual sales campaigns as to high-level technology, which is a strategic industry, and high-level technological products, Japan and the US will thrust forth each's new requests, calling for the abolition, or improvement of non-tariff barriers.

In regard to the Japanese side's exports of high-level technological products to the US, there was the case recently where Fujitsu made the successful best price bid in an international bidding as to the delivery of optical communications cable to the American Telephone and Telegraph Corporation (ATT), and where, nevertheless, the Western Electric Company (WE) of the US, which made the second best price bid, became the successful bidder, as a result of opposition put up by the US Congress, on the grounds that the use of foreign products for key communications networks will cause a problem as to the security of the US.

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The Japanese Government drew the United States' "attention," diplomatically, concerning this case. However, the US side avoided giving explanations in detail, and it merely cited "for reasons of national defense."

Besides optical communications cable, even if Japan wants to produce lower-priced and better-quality very large-scale integrated circuits and new-model computers than those produced in the US, while regarding them as new strategic industrial products, there is the possibility of their being shut out of the US market, one after another, for reasons of national defense, because this kind of technology is deeply connected with the defense production industry of the US. For this reason, the Japanese side has decided to request the US to exercise self-restraint as to the reckless invocation of the national defense clause, together with the abolition of non-tariff barriers, such as the buy-American policy.

On the part of the US, there are many more cases where it establishes the barrier of interpreting, on an expanded basis, US laws concerned and import measures, in regard to business talks with Japan for importing satellite communications equipment, and where it thus protects high-level technological products. It has been decided that at the Japan-US Trade Group Conference, the two countries will take up the problem of non-tariff barriers concentratedly.

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ECONOMIC

LOWER TARIFFS ON ELECTRONIC COMPUTERS REQUESTED EARLIER THAN EXPECTED

Tokyo NIKKAN KOGYO SHIMBUN in English 18 Nov 81 p 14

[Text]

Concerning the lowering of tariffs on computers earlier than scheduled, which the US Government is seeking as a part of the measures to eliminate the trade friction between Japan and the US, a MITI leader clarified on the 17th that he is ready to check into it in a forward-looking way, saying, "Is it not alright to respond to it?" In regard to this problem, within the Ministry and computer industry circles, there is resistance to the lowering of tariffs earlier than scheduled, for the reason that trade in computers between Japan and the US marks a large-scale excess of exports from the US side (an excess of imports to Japan). The Ministry leader, however, clarified the view that there is hardly any resistance as to the lowering thereof earlier than scheduled, while pointing out the fact that the role of tariffs is becoming lower in recent moves connected with foreign exchange.

According to a Government source, US Minister to Japan BARRACLOUGH showed to Government offices concerned, such as the Foreign Ministry and MITI, the US Government's measures to correct the trade imbalance between Japan and the US, including the lowering of tariffs on agricultural products, the simplification of measures for the imports of cosmetics, etc. and [the lowering of] tariffs on computers, which are an item of interest to the US, earlier than scheduled. He proposed the conducting of studies at Japan-US trade group consultations slated to be held early in December and at Japan-US Trade Facilitation Committee consultations.

In regard to tariffs on computers, Japan and the US have reached agreement on the view, in the course of the Tokyo Round now being carried out, that they will lower tariffs on the main unit of computers to 4.9% by 1987, and tariffs on the peripheral equipment thereof to 6%, in order (at the beginning, 10.5% for the main unit -- 5.5% for the US; 7.5% for the peripheral equipment -- 5.5% for the US).

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The US Government is seeking the carrying out of the schedule for lowering the tariffs at an early date. Recently, Japan and the US have reached agreement to carry out the schedule, which was agreed upon at the Tokyo Round, earlier than scheduled, as to tariffs on semi-conductors, which is a similar case.

Within MITI, however, there is the move that it is not necessary to lower tariffs on computers earlier than scheduled, as in the case of semi-conductors, because there was the special situation, as to semi-conductors, where the export thereof from Japan marked an excess in Japan-US trade, and that, on the other hand, in the case of computers, imports from the US to Japan amounted to ¥126 billion in 1980, whereas exports from Japan to the US amounted to ¥24.9 billion, thus conversely marking a large-scale excess of exports from the US.

Also, computer industry circles are showing a complex look, but on the other hand, there have appeared persons who show a calm attitude, saying, "there will be few effects, even if it is carried out earlier than scheduled, partly because the prices of IBM products are high."

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ECONOMIC

EXPORTS BEGIN CLEARLY TO SHOW SIGNS OF STAGNATING

Tokyo JAPAN ECONOMIC JOURNAL in English Vol 19, No 982, 24 Nov 81 pp 1, 3

[Text]

Japan's exports lately have begun clearly to manifest a dulling trend along with the fallback of business in the United States and the protracted sluggishness of business in Europe.

Trading quarters say that an overcasting has begun to appear for many products which up to now had been doing well in exports, such as a part of steel pipes and textiles.

Even makers of autos, which have become export-regulated products, have started to revise their export outlooks downward with the added deterrent of a decline of demand in the U.S. and Europe.

In taking into account the U.S. Federal Reserve Board's policy lately to discard applying a high bank rate, which presupposes a high yen trend in the foreign exchange market in the future, sentiment has become strong among many, such as Yohei Mimura, president of Mitsubishi Corp., big trading firm, that "exports further will dull in the future."

Meantime, not much hope can be pinned on a buildup of imports with a cooling of domestic demand.

Trade quarters thus believe that Japan's trade balance, on an IMF base, in the current fiscal year will chalk up a big

surplus of over \$25 billion and the current payments account a surplus of over \$10 billion.

For preventing a dulling of exports to have an adverse effect on domestic business and also forestalling trade frictions with other countries, more people in industries as a whole lately have begun to clamor strongly that the Government should swiftly consider drastic measures for expanding domestic demand.

Trading quarters say the decline of prices for low grade welded pipes in the U.S., Japan's main market, has started to spread to low grade seamless pipes, with the result that an amber light has come on in sales of seamless pipes which up to now had been regarded "limitless."

The view also is growing, such as of Makoto Kaneko, managing director of Mitsubishi Corp., that Japan's exports of steel products this year are going to become "about 1,200,000 tons less than expected at the beginning of this year." This is because an easing of supply-demand has started to emerge for a part of pipe varieties from an increase in output of American steelmakers.

As for autos, Japan's top export commodity, most automakers had believed that their exports this year would be about the same as for last year

(about 5,970,000 units). However, Takashi Ishihara, Nissan Motor Co. president, has come to feel now that exports will drop below that of last year as, along with restrictions on exports to the U.S. and Europe, there has been a big decrease in demand in such markets themselves.

Dulling of the export growth has become clear-cut for industrial plants, ships and machine tools. While plant exports this summer were expected to reach a value of \$14 billion in the current fiscal year (\$8.9 billion in fiscal 1980), Mitsubishi Corp., for instance, now feels this "may decline to around \$12 billion."

A decrease in inquiries for ships also has become conspicuous.

A top man of Mitsui & Co., Vice President Takeshi Tsukamoto, says that inquiries for export ships at the present time have dropped to half of a year ago.

Trader C. Itoh & Co.'s survey of ships on a customs-cleared base shows that in first half of fiscal 1981 exports showed a 68 per cent year-to-year gain but look due to decrease to a 27 per cent gain in the last half.

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Even makers of video tape recorders and color television sets which have been seeing their exports zoom 1.5 times to double that of last year have started to take cautious stance. They admit the possibility of exports dulling from early next year after the Christmas demand season is over.

Owing to such a situation, the leading traders have begun to figure that the year-to-year growth of Japan's exports in general in the last half of the current fiscal year will become greatly lower than that for the first half.

Mitsubishi Corp. estimates that the growth of exports in the last half, on a customs clearance basis, will be 12.4 per cent and C. Itoh & Co. at 13.9 per cent. This is below the 18.1 per cent growth both of them attained in the first half. As for Marubeni Corp., it judges that in the January-March quarter of next year, the year-to-year growth rate on a momentary velocity check may drop to as low as one digit per cent.

The view also has become general that the value of exports for entire fiscal 1981 will show a growth of about 15 per cent or about half that for fiscal 1980, which ran to 29 per cent, and will reach around \$155-159 billion.

As for imports, many believe that they will generally stay unchanged since imports of crude oil which have constituted about 40 per cent of the total value of imports will register only a small gain owing to sluggish domestic demand.

Due to such circumstances, trading quarters feel that the surplus of Japan's trade balance, on an IMF base, will reach from \$25.5 billion (C. Itoh & Co. view) to \$28 billion (Marubeni), and the surplus of the current payments account will range from \$10.4 billion (C. Itoh & Co.) to \$11 billion (Marubeni). This is far larger than the Government's estimate.

They also feel that if this situation is left as it is, there is danger of Japan's trade frictions with the U.S. and Europe further aggravating.

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ECONOMIC

DISCOUNT RATE CUT LOOMS AS NEAR-TERM POSSIBILITY

Tokyo JAPAN ECONOMIC JOURNAL in English Vol 19, No 982, 24 Nov 81 pp 1, 2

[Article by Masahiko Ishizuka]

[Text]

Argument for a discount rate cut in the immediate future somewhat suddenly gathered momentum last week as the yen's value soared against the U.S. dollar, while domestic business recovery continued lagging and trade surplus kept swelling placing Japan under increasingly vociferous attacks from Europe and the U.S. Toward the end of the week it appeared that officials of the Bank of Japan and the Ministry of Finance had started weighing the timing of a discount rate cut, which could come in December or January. (See Analysis on Page 10.)

There had been an undercurrent of demand for lowering the Bank of Japan's discount rate, at 6.25 per cent since last March, but it had been held back due to the persistence of high interest rates in the U.S. that kept the Japanese yen weak for months. With the price front continuing markedly calm at a time when domestic demand recovery is excruciatingly slow, those who favor an early discount rate cut cited the level of U.S. interest rates and the resultant weak yen as the only stumbling block.

But as the U.S. interest rates started falling recently, the yen rose sharply on the Tokyo foreign exchange market, to 219 to the dollar on Friday, the highest since late May, and was viewed likely to continue to strengthen.

A leading advocate of a discount rate cut, Economic Planning Agency Director General Toshio Komoto last week reiterated the urgency of an early action, saying, "It is desirable to stimulate the economy through lower interest rates."

Stimulation of domestic demand is being urged as a means of spurring slow imports caused by weak demand for materials and other goods. Lagging imports are held responsible for the swelling trade surplus as much as strong exports are. The current account surplus in fiscal 1981 is now estimated to reach \$10 billion or more, compared with the \$7 billion in the Government's two-month old revised outlook and a deficit of \$6 billion in the original projection.

According to government economists, the real economic growth in the third quarter most likely ended up at an annual 2.3 per cent rate and up 1

per cent from the preceding quarter. The lagging growth rate is attributed to weakness of domestic demand, particularly personal consumption and housing, while it is being made up for by strength in overseas sales.

Recently, there are signs that the pace of expansion of exports and private capital investment, the two major forces that have led the growth of the Japanese economy in the past year, may be losing momentum. Some government officials and businessmen are even beginning to be concerned that the business recovery underway may falter.

People who are cautious about a discount rate cut warn that a lower interest rate would work to weaken the yen and as a result boost exports, adding to the current account surplus. But whether this turns out true depends on the extent of the fall of U.S. interest rates and, more essentially, strengthening of the Japanese currency.

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While officials of the Bank of Japan and the Ministry of Finance last week generally voiced prudence, citing necessity to watch the trend of U.S. interest rates for some time, Finance Minister Michio Watanabe drew attention by saying Thursday that he would like to see tax revenues grow "through stimulation of the economy." His remark was interpreted as implying that he was leaning toward a discount rate cut. Bank of Japan Governor Haruo Mayekawa, meanwhile, merely said that he would closely watch various economic indicators for the time being.

International Trade & Industry Minister Rokusuke Tanaka and Japan Chamber of Commerce & Industry President Shigeo Nagano came up with an outright endorsement of an early discount rate cut. Nagano made special reference to the stagnant state of smaller enterprises, whose interest his organization represents. With business failures topping 1,500 in October, the situation required an immediate relief, he asserted.

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ECONOMIC

CAB CHASSIS TARIFF PROBLEM, JAPAN-U.S. CONSULTATIONS END IN FAILURE

Tokyo NIHON KEIZAI SHIMBUN in English 18 Nov 81 pp 4-5

[Text]

Concerning the cab chassis (truck chassis attached with a driver's cab) tariff problem which has been pending between Japan and the US, the Government has firmed up its plan to file a complaint with GATT as early as within this month, in accordance with Article 23 of the GATT Convention. The US Government raised the tariff on cab chassis, which tariff had been fixed at four per cent, to 25 per cent, for the reason that it has reviewed its tariff classification list. Japan thereupon started bilateral consultations, asking for the reduction of the tariff to the original level of four per cent. The US side, however, did not accept Japan's request, with such circumstances as poor business records of the US automobile manufacturers in the background. It is the first time that Japan has decided to take such a stern measure.

The cab chassis means a truck chassis not attached with a bed. All small trucks, which are exported from Japan to the US, are sent in the form of cab chassis, to be attached with beds and sold as finished vehicles in the US. Formerly in the US, cab chassis was treated as an automobile part and was subject to a tariff of four per cent. In August last year, however, the tariff was raised drastically to 25 per cent, as a result of a review of the tariff classification list. Consequently, small truck exports from Japan to the US fell sharply.

The Government decided that such a step taken by the US Government is "tantamount to restriction of imports in practice." It started unofficial consultations after September last year, asking for the reduction of the tariff to the original level of four per cent. In late July this year, it put the consultations on an official basis in accordance with Article 22 of the GATT Convention, to continue talks. The US Government maintained that "It is possible to reduce the tariff on finished cars from 25 per cent to 6.8 per cent by the President's authority or other means." However, it refused to cancel its revision of the tariff classification list for the reduction of the tariff in question to the original level of four per cent, as the Japanese side strongly requested. As a result, the negotiations had hard sailing.

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It is because of such a situation that the Government has decided to file a complaint with GATT on the strength of Article 23 of the GATT Convention, which Article authorizes GATT to make decisions binding upon the parties to disputes, in such forms as advice and arbitration.

The Government will notify the US Government in the near future of its intention to file a complaint with GATT. It will take a formal step to file a complaint with the GATT Secretariat toward the end of this month, at the earliest. According to Paragraph 1 of Article 23, Japan and the US bear the obligation to resume consultations between them for the co-ordination of the differences in opinions. A Government source, however, said as follows: "In view of the processes of the negotiations held to date, it is certain that the consultations will end in failure. Then, efforts will be started at once for the co-ordination of views according to Paragraph 2 of Article 23."

According to Paragraph 2 of Article 23, Japan's complaint will be referred to the GATT Council, and will be examined by a panel (sub-committee) composed of three to five members in all of the resident missions of third countries at GATT, which countries are not interested in this dispute. The panel will make decisions necessary for the assessment of the claims from an objective point of view and the issuance of recommendations. On the basis of these decisions, the GATT Council will make a final decision on the steps it should take, such as to give advice or grant arbitration.

According to a Government source, the GATT Council will not hand down its decision until next summer, at least. If the raising of the cab chassis tariff by the US is judged to be "guilty," and if the US does not abide by the ruling, Japan can raise its tariff correspondingly in retaliation.

Japan-US trade relations have been temporarily stabilized, as a result of the settlement of the two major issues, that is, procurement of materials from abroad by Nippon Telegraph and Telephone Public Corporation (NTT) and voluntary restraint of Japanese automobile exports to the US, from late last year to the spring of this year. The US, however, has come out with a strong request for the opening of the Japanese market. On the other hand, the Japanese side has expressed concern, by an exceptional step, over the revision of the US Communications Act, and has presented a 14-point request for the reduction of the non-tariff barriers on the US side. It can be said that Japan has clarified its stern posture by its decision to file a complaint with GATT over the cab chassis tariff problem, on the heels of these moves. So, it is feared that Japan-US trade relations may worsen again.

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ECONOMIC

IMPETUS GIVEN TO REDUCTION OF ALUMINUM PRODUCTION

Tokyo MAINICHI SHIMBUN in English 20 Nov 81 pp 7-8

[Text]

Sumitomo Aluminum Refining (Head Office: Osaka City; President: Shozo SOMA) on the 19th clarified to its labor union (Chairman: Choji NINOMIYA) a plan to decrease its output, presently amounting to 190,000 tons a year, drastically, or by 37 per cent, to 120,000 tons, from January next year. Among the aluminum-refining enterprises which are depressed due to the stagnation of demand at home and the inflow of low-priced ingot from abroad, the closure of plants and the drastic reduction of production have been carried out in succession. As a result of the decision made by Sumitomo Aluminum on cutback in production, the total output at home of the six aluminum-refining companies will fall to the level of 520,000 tons a year, or less than one-half of the total production capacity at present, in January next year.

Sumitomo Aluminum at present is turning out 60,000 tons a year at the Isoura Plant (Ehime Prefecture), 75,000 tons at the Toyo Plant (Ehime Prefecture) and 55,000 tons at the Toyama Plant (Toyama Prefecture). The plans for the reduction of production at the respective plants will be drawn up hereafter. Also, the 130 employees, who will become superfluous due to production cutback, will be sent to affiliated companies.

As a result of Sumitomo Aluminum's decision to cut production, all of the six aluminum-refining companies are now scheduled to decrease production. According to the present plans, Nippon Light Metal will decrease its output to 124,000 tons a year, Sumitomo Aluminum -- 120,000 tons, Mitsui Aluminum Industries -- 100,000 tons, Sumikei Aluminum Industries -- 75,000 tons, Mitsubishi Light Metal Industries -- 66,000 tons, and Showa Light Metal -- 37,000 tons, after the turn of the year. The total output in aluminum-refining industry circles, therefore, will decrease to 522,000 tons. Previously, the Aluminum Department of the Industrial Structure Deliberation Council recommended the establishment of a "structure for indigenous production of 700,000 tons in 1985," as part of the relief measures to be taken for the aluminum-refining enterprises. As a result of the decisions made by these enterprises, however, the actual output will fall far below the level of 700,000 tons.

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On the other hand, the inflow of low-priced aluminum ingot from abroad continues unabated. While the price of imported aluminum ingot is \$1,500 (approximately ¥360,000) per ton C.I.F., the average cost of indigenous ingot is a little more than ¥500,000 per ton, on account of the high electricity rates. As a result, indigenous aluminum ingot has lost its international competitive power completely.

According to the Japan Aluminum Federation, imports in the first half of the present fiscal year (April through September) amounted to 545,000 tons, or about 30 per cent more than the amount recorded in the corresponding period of the previous fiscal year. It is considered certain that total imports of aluminum ingot in the present fiscal year will reach, for the first time, the level of one million tons, to account for more than 60 per cent of the total consumption at home. Because of these circumstances, the stockpiles in the country are said to have increased to nearly 1,500,000 tons, or an amount equal to the annual amount of consumption at home.

Production Levels of Six Aluminum-Refining Companies (shown in thousand tons, on an annual basis)

| | Present production capacity | Production after cutback |
|------------------------|-----------------------------|--------------------------|
| Nippon Light Metal | 195 | 124 |
| Sumitomo Aluminum | 296 | 120 |
| Mitsui Aluminum | 144 | 100 |
| Sumikai Aluminum | 98 | 75 |
| Mitsubishi Light Metal | 236 | 66 |
| Showa Light Metal | 162 | 37 |
| Total | 1,134 | 522 |

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ECONOMIC

HONDA, TWO AFFILIATES SET UP AMERICAN PARTS MAKER

Tokyo JAPAN ECONOMIC JOURNAL in English Vol 19, No 984, 8 Dec 81 p 12

[Text]

Honda Motor Co. and two Honda-affiliated parts manufacturers jointly have set up a subsidiary in the U.S. to supply such components as exhaust systems for the cars to be produced by Honda of America Mfg., Inc. in Marysville, Ohio.

The new company, Belle Mar Parts Industries Inc., is 80 per cent owned by Honda Motor (investment made through its U.S. sales subsidiary, American Honda Motor Co., Inc.). The remainder is equally shared by Sankei Giken Kogyo Co. and Tokyo Seat K.K. It is the first case for a Japanese automaker to form a parts-making subsidiary in the U.S. jointly with its Japanese affiliates.

Belle Mar plans to build a factory on the tract of Honda of America's Marysville works. The Tokyo automaker now produces motorcycles there and will also start making subcompact cars as early as next

autumn. The new parts producer is to make exhaust pipes/silencers, seats and sashes, with a monthly production capacity for 12,000 cars. Initial production will be aimed only at cars, however, Belle Mar also will study parts production for motorcycles, according to Honda.

"Although we tried to procure as many components as possible from local manufacturers, we could not find a suitable maker for such parts," a Honda spokesman said.

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ECONOMIC

NEW FIRM FOR COMMUNIST TRADING

Tokyo JAPAN ECONOMIC JOURNAL in English Vol 19, No 982, 24 Nov 81 p 4

[Text]

Kawasho Corporation and Maekawa Trading Company Ltd. have set up a joint trading firm specializing in deals with the Soviet Union and East Europe, they announced.

The new firm, Maekawa-Kawasho Corporation, was formed by taking over the Soviet and East Europe division of Maekawa Trading Co. which owns 40 per cent of the new firm. Kawasho Corp. owns 60 per cent.

A sister company of Maekawa

Manufacturing Co., the top manufacturer of industrial refrigerators, Maekawa Trading Co. had ¥19,700 million in annual sales and ¥320 million in pre-tax recurring profits during the year to January 1981. Its business with Communist countries reached ¥7,000 million during the year.

The new firm deals in plants and machinery, steel products, timber and commodities. It aims for ¥20 billion in annual sales within a few years.

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SCIENCE AND TECHNOLOGY

COMPUTER MAKERS HOLD U.S. DEMAND ON REMOVING TARIFFS UNREASONABLE

Tokyo JAPAN ECONOMIC JOURNAL in English Vol 19, No 982, 24 Nov 81 p 9

[Text]

The computer industry strongly criticized last week the latest U.S. demand that Japan eliminate tariffs on 29 items, including computer mainframes and peripheral equipment, for correcting the swelling trade imbalance in favor of Japan. (See related story on Page 1.)

Takuma Yamamoto, president of Fujitsu Ltd., said that the demand on the grounds of trade imbalance was totally unreasonable as the bilateral computer trade has been against Japan.

According to the customs clearance statistics of the Finance Ministry, Japan's exports of computer mainframes and peripherals to the U.S. last year reached a value of ¥34,927 million, merely one-fifth of such imports from the U.S.

Japan-U.S. Computer Trade

(In millions of yen)

| | Exports to U.S. | Imports from U.S. | Import excess |
|------|-----------------|-------------------|---------------|
| 1976 | 17,089 | 80,563 | 63,474 |
| 1977 | 12,801 (-25.1) | 92,459 (+14.8) | 79,658 |
| 1978 | 24,659 (+92.6) | 76,615 (-17.1) | 51,956 |
| 1979 | 27,084 (+9.8) | 110,842 (+44.7) | 83,758 |
| 1980 | 34,927 (+29.0) | 152,889 (+37.9) | 117,962 |

Note: Total of computer mainframe and peripheral equipment. Yearly percentage change in parentheses.

Source: Finance Ministry.

Import Tariffs on Computers

(Per cent)

| | 1977 | Apr. 1979 | Jan. 1980 | Apr. 1981 | 1986 (planned) |
|-----------------------|------|-----------|-----------|-----------|----------------|
| Mainframe | 13.5 | 10.5 | 9.8 | 9.1 | 4.9 |
| Peripherals | 22.5 | 17.5 | 16.1 | 14.6 | 6.0 |
| Parts and accessories | 15.0 | 15.0 | 12.5 | 12.5 | 4.9 |

Industriemen believe that the U.S. now is trying to redress its massive trade imbalance by promoting exports of competitive products, such as computers and related goods.

However, the Japanese computer industry is sorely perplexed with the American "political pressure" following on the heels of Fujitsu's failure to win an

AT&T contract for a fiber-optics communications system.

Executives of leading Japanese computer builders hope that the Japanese Government will stick to the 1979 agreement of the Tokyo Round of multi-lateral trade negotiations which calls for a gradual reduction of tariffs on manframes and peripherals down to 4.9 per cent and 6 per cent, respectively, by 1987.

In contrast, importers of computers welcomed the U.S. move. But a trader said that it was 10 years too late as Japanese makers already have become strong enough to compete against their American rivals particularly in the fields of minicomputers and desktop computers.

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SCIENCE AND TECHNOLOGY

HIGH TECHNOLOGY EXPORTS TO U.S., EUROPE GROWING

Tokyo JAPAN ECONOMIC JOURNAL in English Vol 19, No 984, 8 Dec 81 p 17

[Text]

Japanese industries' high technology exports to the U.S. and West European nations have been increasing rapidly recently. They range over a wide field, including computers, integrated circuits and robot production.

Fujitsu Ltd. has agreed with ICL Ltd. of Britain through the British Government's good offices to help ICL in large computer and semiconductor production technology. A full contract concerned, to be signed before the coming year, is to follow up Fujitsu's similar contracts with Siemens A.G. of West Germany and Amdahl Corp. of the U.S. for offering production services on an original equipment manufacture basis or extending technological cooperation.

Hitachi, Ltd. is also performing large computer OEM services for National Advanced Systems Corp. of the U.S., BASF of West

Germany and Olivetti of Italy. Nippon Telegraph and Telephone Public Corporation (NTT), though no commercial enterprise, has recently concluded a cross-licensing contract with International Business Machines Corp. (IBM) of the U.S. concerning computer, computer terminal, and electronic telephone exchange technologies.

Mitsubishi Electric Corp. is now considering possible cross-licensings with Westinghouse Electric Corp. in very large-scale integration (VLSI) production technology.

Hitachi has recently started extending its robot production technology cooperation to General Electric Co. of the U.S.

Dainichi Kiko Co., a Japanese venture business, is planning to license its robot production technology to the Sykes Group of Companies of Britain.

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SCIENCE AND TECHNOLOGY

GOVERNMENT INSTITUTE DISCOVERS NEW WAY TO PRODUCE MINUTE METAL PARTICLES

Tokyo JAPAN ECONOMIC JOURNAL in English Vol 19, No 982, 24 Nov 81 p 16

[Text]

A method to produce exceptionally fine particles of metals, ranging in diameter from 1/10,000th to 3/100,000th of a millimeter, at an extremely low cost, has been developed by the National Research Institute for Metals of the Science and Technology Agency.

According to the institute, the method, featuring utilization of electric arc discharges, though still experimental, is without precedent anywhere for its efficacy in creating such ultra-fine particles of various metals. Moreover, it is fit for mass-production of such particles for its surprisingly low cost, possibly only about 1 per cent of the best conventional method of making such metal particles.

The institute said the method was accidentally discovered as a by-product of its research on reactions between molten

metal and gas. It thus still has to explain clearly the principle of how such extremely fine metal particles are created by the method. But it has presumed that its use of a hydrogen gas with an electric arc discharge results in inducing the gas into metal specimens and forcing very tiny metal particles out when the gas emerges.

The method consists in placing a metal sample in a mixture of argon and hydrogen in an electric arc discharge chamber any collecting very fine particles of the metal coming out of the specimen, when the specimen is hit by the arc discharge. The mixed gas was not pressurized.

Used for the experiment with success were specimens of iron, cobalt, titanium, tantalum, and alloys of iron, including nickel, and cobalt. The resultant particles were not uniform in size and connected like strings of beads because it was still an experimental trial. But they were obtained at the rate of 1 gram to 0.2 grams per minute at an electric power consumption of only 6 kilowatts.

Production of such ultra-fine metal particles is still at the threshold of the development of the technology concerned anywhere in the world. In Japan, the Science and Technology Agency had started developing such technology only last April.

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SCIENCE AND TECHNOLOGY

EDITORIAL COMMENTS ON FUJITSU'S FAILURE TO WIN CONTRACT

Tokyo JAPAN ECONOMIC JOURNAL in English Vol 19, No 982, 24 Nov 81 p 10

[Editorial: "Case of Fujitsu"]

[Text]

It occasionally happens that the top bidder in a tender is denied a contract however excellent the price and technology it has offered are. But the case in which Japan's Fujitsu lost out to Western Electric in a tender called by American Telephone & Telegraph for a large fiber-optics communications system looks highly problematical and unusual in that there was political intervention from the U.S. Congress.

The incident certainly can be viewed in the context of the mounting trade deficit the U.S. runs with Japan and as an emerging new area of bilateral economic frictions springing up from the general American frustrations about Japanese Nippon Telegraph & Telephone Public Corp.'s equipment procurement. Whatever the context, however, such a move to shut foreign companies out of the domestic market is quite surprising and regrettable as the U.S. has always been urging the opening of the NTT procurement to foreign suppliers.

The very fact that Fujitsu's offer of a fiber-optics communications system was superior to Western Electric's was admitted by none other than ATT itself. The reason Western Electric was chosen over Fujitsu in awarding the contract despite this fact was said to be a problem of national defense that might arise from depending on a foreign supplier for trunk communications networks. National defense is a very convenient word because when it is cited, a private enterprise finds it difficult to press for further clarification. But it is hardly imaginable that adoption of Fujitsu's system would raise a problem of national defense, and Japan would be justified to conjecture that national defense was merely an excuse used to shut Fujitsu out from the contract.

In this light, it is quite natural and understandable that the Foreign Ministry is inquiring the U.S. Government on

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the issue, calling Washington's attention to the two countries' agreement signed last year to mutually open respective markets to foreign suppliers irrespective of their nationality, while Fujitsu on its part is going to submit a report to the U.S. Federal Communications Commission on details leading up to the successful bidding in the ATT tender.

It, of course, is unlikely that such moves of the Japanese Government and Fujitsu would lead to reversal of ATT's decision, but what is essential for Japan here is to speak up what should be said. Silence will be detrimental not only to Fujitsu but to the Japanese industry as a whole. Japan should show a resolute stand to prevent repetition of this kind of unfair treatment. This is all the more important because the fiber-optics communications system represents a high technology area where competition between Japan and the U.S. is expected to intensify in the future.

It is equally important, at the same time, that Japan keeps its composure on the issue. It should refrain from any retaliatory action, even though the U.S. move can be used as a pretext to refuse further opening of NTT procurement and, in this sense, hardly in the interest of the U.S.

Failure to win the contract must indeed be a major blow to Fujitsu, but the whole affair can be viewed from a different angle — as a manifestation that Japan's fiber-optics communications technology is already ahead of the U.S.'s. This must have done a lot of good to the Japanese. What is important for the both countries is to reaffirm their commitment to reciprocal opening of the market.

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SCIENCE AND TECHNOLOGY

STEEL INDUSTRY CIRCLES SEE CRISIS IN 1990

Tokyo JAPAN ECONOMIC JOURNAL in English Vol 19, No 982, 24 Nov 81 p 6

[Text]

A pessimistic view has arisen in steel industry circles here that their industry, now boasting of the world's strongest competitiveness, will face a financial crisis around 1990 as it will need a tremendous amount of money to replace the increasing number of superannuated production facilities.

Steel industry analysts estimate that the ratio of relatively new production facilities (in operations for less than 10 years) will decline to 35.6 per cent in 1990 from the present 60 per cent.

This means that Japan's steel industry will have to make a

large-scale replacement investment in the latter part of the 1980s in order to maintain its present international competitiveness. It is generally known that a steelmaking facility must be 60 per cent replaced after it has operated for more than 25 years.

The industry's average annual plant and equipment investment is estimated to swell to about ¥1,340 billion in the latter part of the 1980s and further to ¥1,680 billion in the 1990s, with inflation taken into account, compared to ¥860 billion at present.

Such big investment burdens are expected to drive Japanese

steelmakers into financial straits and weaken their international competitiveness.

Japanese steelmakers thus have come to feel the need to map out long-term equipment investment plans with their equipment situation 10 years hence taken into account while their investment burdens are still relatively light.

American and European steelmakers are said to have lost their international competitiveness from delay in replacing their production facilities. The number of operating years for Japanese steelmaking facilities averaged 9.5 years at the end of fiscal 1980, compared to America's 17.5 per cent early in 1979.

Some observers here, however, suspect that in the back of the steel industry's latest "crisis outlook" actually is the industry's wishes to persuade steel users to accept its planned product price hikes next year by emphasizing the need for huge equipment investment in the future.

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SCIENCE AND TECHNOLOGY

SAILOR PEN TO LAUNCH ROBOT EXPORT

Tokyo JAPAN ECONOMIC JOURNAL in English Vol 19, No 984, 8 Dec 81 p 7

[Text]

Sailor Pen Co. will tie up with Nypro Inc. of the U.S. and Netstal-Machinery of Switzerland to export industrial robots from around the spring of next year.

The American and the Swiss enterprises are both plastic injection molding machine makers.

Netstall and Nypro will sell Sailor robots in Europe and the U.S. through their respective dealerships.

Sailor robots will be connected with plastic injection molding machines so that heat-treated and processed plastic

products may be automatically picked up.

The Tokyo company developed that robot some time ago for use at its factories for fountain pens, ball-point pens and other products. Last year, the company began selling it to outsiders.

Sailor Pen is scheduled to start running a robot-making factory at Oume City, Tokyo next April.

The company hopes the marketing link will develop into a broader phase of launching a joint knocked-down production of robots in the future.

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SCIENCE AND TECHNOLOGY

KOMATSU DEVISES COMPUTER LANGUAGE FOR WELDING ROBOT

Tokyo JAPAN ECONOMIC JOURNAL in English Vol 19, No 984, 8 Dec 81 p 7

[Text]

Japan's first computer language for controlling arc welding robots usable even by average workers unfamiliar with computer programming has been commercially developed by Komatsu Ltd. of Tokyo.

According to the top-rated Japanese construction machinery maker, its "Programming Language for Welding Robot (PLAW)" allows any worker to address a robot through an operating console display screen and easily instruct it how to do a given job.

The company is already applying its PLAW to 20 such robots in its own factories. It also plans to make the PLAW a sales attraction for its new arc-sensor equipped "RW series" robots developed last October and soon to go on sale.

The RW series is still of a right angle-crossing coordinate

(standard point) type in working its hand. Its PLAW matches such hand movements. But, by 1983, the company plans to come up with a more sophisticated multi-joint type of such robot and its PLAW will be accordingly more sophisticated.

According to the company, its recently-developed PLAW can tell the robot through the latter's built-in microcomputer to perform complex operations with shorter words like "MOVE" and "GOTO" (change the working order) than those used in the ordinary computer programming. Even when the target object changes in shape, it can tell the robot to adapt the latter's manner of work through the robot's own

sensor (if not the arc sensor). It can make the robot find the right welding spot by just giving coordinates indicating the object's vertical and horizontal measurements and the height of the welding point. It can also easily change the axis of coordinates.

Observers envisioned stiff competition over development of such robot-operating languages because three other local companies, Kawasaki Heavy Industries, Ltd., Hitachi, Ltd. and Nippon Electric Co., already have commercialized or are developing such languages.

Japan's industrial robot production, the world's largest, attained 20,000 units in 1980, up 37 per cent from the preceding year. But the nation's 1980 output of intelligent robots with sensors totaled only 130 units.

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SCIENCE AND TECHNOLOGY

STATUS, FUTURE OF ROBOT INDUSTRY ANALYZED

Tokyo SHUKAN TOYO KEIZAI in Japanese 14 Nov 81 pp 16-18

[Text] The Industrial Robot Exhibition which opened in Harumi, Tokyo, on 8 October and lasted 5 days was a big success, drawing 330,000 visitors. The boom in OA (office automation) is tremendous, but factory automation is one or two steps ahead in terms of historical importance and practical effect. Office automation cannot compare with it in terms of being linked to reality.

70 Percent of World Market

Foreign interest in Japanese robots continues to grow. There is no end to foreign study groups which come to study the strengths of Japanese industry. Most of them are said to investigate and prepare reports on Japanese "PQR." "P" is productivity. "Q" is quality control. "R" is robots.

Foreign journalists and politicians as well as businessmen continually visit makers such as Fujitsu Fanac and Kawasaki Heavy Industries and users such as Nissan Motor Co. They watch the robots busily working while listening to a talk on the Japanese custom of using large quantities of robots and then go home.

The number of robots deployed in Japan is said to be 40,000 by some and 70,000 by others. There is no accepted number. This is because the automated machines known as sequence robots are sometimes included and sometimes not, so the definition of robot is not clear.

There are many robots in the United States and West Germany, but not more than a few thousand. The number is much lower in England and France. Japan has over 70 percent of the robots installed throughout the world. When we consider that the majority of these are made in Japan, it becomes possible to call Japan the "robot kingdom."

The progress in production of industrial robots is shown in Figure 1. Many people called 1979, which saw a growth of 55 percent over the previous year, the year of the robot. However, in 1980, there was a growth of 85 percent, reaching 78.4 billion yen. A total of 100-120 billion is expected for 1981. Judging by the increased production tempo of each company, it is highly probable that the growth record will exceed 50 percent for 3 years running.

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Looking at the shipping amounts for each type of machine, we see that while the growth in low-level fixed or variable sequence robots is weakening playback robots (which are taught the work procedure beforehand with a manipulator) have grown by 2.8 times, and numerically controlled robots (which are taught the work procedure with numbers) have grown rapidly, by 9.9 times. These major types have taken over the ainstream of robot production. (See Figure 2)

Of users who use a large quantity of robots for assembly, spot welding, pressing, etc, the auto industry is tops with 32 percent of the total (sum of 1979--1980; figures for the same year are used for companies listed below). The electrical equipment industry is next with 30 percent, followed by synthetic resins at 10 percent, metal products at 6 percent, and metal processing and steel at 3 percent each.

The electrical equipment industry has drawn attention for introducing 924 numerically controlled robots all at once. Even though numerically controlled robots at one time cost only about 5 million yen, the high-level equipment now being installed in the electrical equipment manufacturing plants costs an average of 23 million yen per machine. Most of them are assembly robots. The electrical equipment makers have the advantage of being both the maker and user of the robots, and their enthusiasm for this equipment rivals that of the auto makers.

The playback robots are also a major type and they are starting to be used in large quantities for spot welding. Because of the effects of mass production and growing competition, the drop in price is dramatic. Taking the major user, the automobile industry, as an example, we find that the number installed has grown by 3.2 times, from 577 in 1979 to 1,866 in 1980. During this period, the average price has dropped 20 percent, from 9.16 million yen to 7.23 million yen.

Average prices have not dropped in every aspect; the sensor equipment, for example, has gone up. However, acceleration of an overall decrease in prices is expected. Potential users will probably continue to be found who are now hesitating.

With respect to price, there is the possibility of a split into two separate types, that for robot systems including all software and that for hardware-only robots. The robots directed toward the largest users, the electrical equipment industry, with its own software, and the auto industry, are tending toward the latter category, where the drop in price is likely to become much more evident. The drop in price of the spot-welding robot for the auto industry is an extreme example.

Favorable Conditions in Japan

BUSINESS WEEK reported in the 2 August issue that "the tie-up between Hitachi and GE will bring about a new phase in the world robot industry competition." It also presented the warning of Mr Turner, president of a consulting firm: "Just as numerically controlled machine tools and consumer electrical products have taken a beating, the robot industry will also be hurt badly by Japanese products.

In this tie-up, Hitachi will provide all of its robot production technology and knowhow to GE for compensation and will supply Hitachi robots by OEM (original equipment manufacturing) to GE until GE production is on track. This has drawn a good deal of attention because the buyer is the multinational GE.

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However, it is not surprising for Japanese robot technology to be supplied to Europe or the United States. Fujitsu Fanac has also begun negotiations to provide technology to a British manufacturer. Medium-size unlisted companies such as Dainichi Kiko, Yamazaki Tekko, and Hirata Kiko have also attracted the eager interest of big business in the United States and Europe.

The following factors can be pinpointed as reasons for the world lead being taken by the Japanese robot industry. The first and major factor is the high level of both electronics and precision instrument technology. Robots are a representative field of mechatronics, and a country like Japan with a balanced development of electronics technology and machine technology has an advantage. Also, the territories of these two fields are intertwined and there are no obstacles between them.

The cooperation of blue collar workers (welders, painters, assemblers, etc) in the factory is essential for development and improvement of industrial robots. In this area, Japan has an advantage over the United States and Europe.

Industrial robots are basically derived from combined technology and applied technology. Basic research is not necessarily important. Modification technology--for example, finding ways to modify the robot's arm or hand to reduce mistakes or increase speed--is a Japanese speciality. The utilization of workers' small creative suggestions and ideas is also done well in Japan.

Right now, the technical issues for industrial robots include the development of sensors, increasing speed, reduction of size and weight, and increasing intelligence. None of these problems requires a revolutionary technological innovation. Most of them can be solved step by step.

There is no denying the possibility of development of new types of robots built of lighter materials, equipped with actuators, or having more intelligence in the United States or Europe. However, overall, considering the latent strength of Japanese industry, it is doubtful that Japan's advantage in the development of industrial robots will be distributed.

Also, Japan has an advantage of location. That is, it is itself a receptive place for industrial robots. The Japanese-style labor unions, which gladly accept rather than avoid the use of robots, are a valuable ally of the robot industry.

From the workers' point of view, there are no employment problems connected with such labor-saving measures as long as the companies retrain and reeducate them. They expect or implicitly understand that this will rebound in their favor in the form of higher wages of the company income increases due to higher productivity. As long as this is the mainstream position of labor, the robot market will continue to expand.

Relationship of Men and Machines

According to the long-term forecast published by the Japan Industrial Robot Industry Association in March last year, domestic demand is expected to be 200-250 billion yen in 1985 and 370-500 billion yen in 1990. The annual growth rate is expected to be high, 26 to 31 percent through the early 1980's and 13 to 15 percent in the late 1980's.

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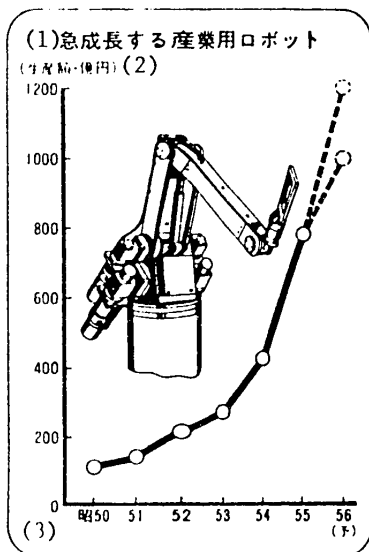
The same forecast states that there are technological problems that must be solved for greater distribution of robots, but none that will be obstacles to wider diffusion. The demand for robots should grow more each year because of increasing labor costs or shortages of workers in jobs with bad working environments or dangerous working conditions.

However, it is said that 20 times the present number of robots will be installed in factories in the next 10 years and there is certain to be some friction. It is possible that there will be increasing social problems such as unemployment, loss of work satisfaction, and widespread alienation. Even if most technological barriers can be overcome, there is no guarantee that a new uneasy relationship between men and machines will not turn into an unexpectedly serious problem.

In addition, the export figures estimated in the forecast, 40-50 billion yen in 1985 and 80-100 billion yen in 1990, have the danger of causing friction as an "exportation of unemployment."

There are also many other problems that should be considered by the leading robot country, such as the possibility of creating a boomerang economic effect by contributing to the rebuilding of European and American industry and the effects on our relationship with the developing countries.

Figure 1.



- (1) Rapid Growth of Industrial Robots
- (2) Production amount in units of 100 million yen
- (3) 1975, 1976, 1977, 1978, 1979, 1980
1983 (estimate)

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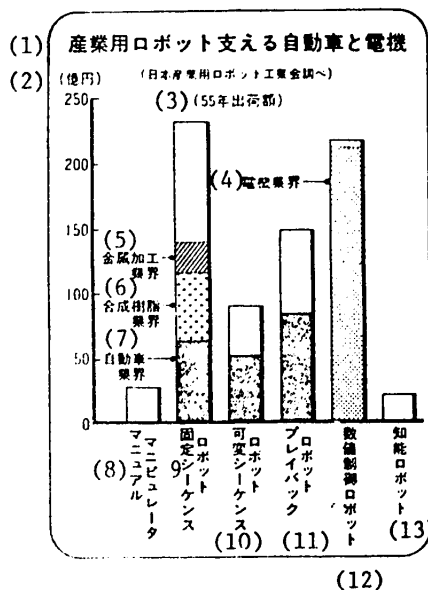


Figure 2.

(1) Industrial Robots supported by Auto and Electrical Equipment Industries (survey by the Japan Industrial Robot Industry Association)

(2) (100 million yen)

(3) (amounts shipped in 1980)

(4) electrical equipment industry

(5) metal processing industry

(6) synthetic resin industry

(7) auto industry

(8) manual manipulator

(9) fixed sequence robots

(10) variable sequence robots

(11) playback robots

(12) numerically controlled robots

(13) intelligent robots

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SCIENCE AND TECHNOLOGY

POSTAL MINISTRY CONTINUES TO DEMAND STRONG CONTROLS

Tokyo JAPAN ECONOMIC JOURNAL in English Vol 19, No. 984, 8 Dec 81 p 8

[Text]

The Ministry of Posts & Telecommunications and the Ministry of International Trade & Industry are still at odds over the basic principle of liberalizing data communications circuits.

While MPT plans to legislate a new law and allow private companies to use them on a permission basis, MITI is for full liberalization. A simple revision of the present Public Telecommunications Law and several ministerial ordinances is enough to carry out the freeing, MITI says. However, MPT sticks to drafting of a new law which it calls the INS (information network system) Law.

The two antagonistic ministries recently entered into final negotiations to adjust their views and work out a unified thinking. However, optimism is unwarranted whether the Government will be able to submit a bill to the next Ordinary Diet session.

MPT's concept, as outlined to the telecommunications committee of the ruling Liberal Democratic Party's Policy Board, divides the data communications services into three types — (1) conventional information processing services, (2) new communication services involving the so-called "message switching" (transmission of information without change in content), and (3) telegraph and telephone business.

The first type services will be liberalized in principle, and the third type of business will be monopolized by Nippon Telegraph & Telephone Public Corp. as before. At issue is the second type of service.

A nationwide high-degree information processing network service should be monopolized by NTT, the Ministry of Posts & Telecommunications said. Even if such service is provided on a limited scale by private enterprises using NTT's leased circuits, they must seek MPT's permission on doing so, the Ministry added.

Such a restrictive nature must be retained, MPT said, in order to protect customers' secrecy in communications, maintain the order of public telecommunications services and prevent possible control of the telecommunications business by foreign interests.

MITI strongly denounces MPT's stand, saying that restrictions might kill private businesses' creative ideas. At a time when Japan is requested by the U.S. Administration further to liberalize the service industry, MPT's concept to restrict foreign capital is completely outdated, a MITI official said.

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SCIENCE AND TECHNOLOGY

INTEL TO START SEMICONDUCTOR PRODUCTION IN JAPAN ABOUT 1983

Tokyo JAPAN ECONOMIC JOURNAL in English Vol 19, No 984, 8 Dec 81 p 8

[Text]

Intel Corp., Santa Clara (Calif.)-based microprocessor maker, will start production of semiconductors in Japan, possibly from 1983, Chairman Gordon E. Moore intimated last week at a press conference in Tsukuba academic city near Tokyo.

He attended the opening ceremony of Intel Japan Corp.'s new headquarters in the city, which houses the Intel Japan Design Center.

Intel will become the third American semiconductor manufacturer establishing a production plant in Japan, following Texas Instruments, Inc. and Motorola, Inc.

Japan is the world's second largest semiconductor market, and its future growth is promising, said Chairman Moore.

Intel Japan's ¥3.1 billion new two-storied headquarters building, having a total floor space of 4,645 square meters, has been set up on a 65,000-square

meter tract. There is room for a production plant, the Intel chairman said.

The design center is equipped with computer-aided designing (CAD) systems and other latest machines. General Manager Masatoshi Shima, who developed the world's first microprocessor 10 years ago, supervises the research and development works at the center.

Despite poor performances in the U.S. and Europe, Intel expects an increase of around 20 per cent in sales in Japan this year, said Chairman Moore.

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SCIENCE AND TECHNOLOGY

NTT STARTS JAPAN'S FIRST FIBER-OPTICS PHONE SERVICE

Tokyo JAPAN ECONOMIC JOURNAL in English Vol 19, No 984, 8 Dec 81 p 8

[Text]

Nippon Telegraph & Telephone Public Corp. started last Thursday Japan's first commercial telephone service with a fiber-optics cable in Chiba City, near Tokyo.

The length of the cable, however, is still limited to 6 kilometers, NTT said.

A similar telephone service extending 8 kilometers will begin in Tokyo next week. By the end of next year, such fiber-optics cables will be laid in 12 districts throughout Japan.

A 0.8-millimeter diameter fiber-optics cable can handle 480 telephone circuits, NTT said.

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SCIENCE AND TECHNOLOGY

NAKAMURA TIES WITH SCHUTTE ON LATHE SALES

Tokyo JAPAN ECONOMIC JOURNAL in English Vol 19, No 982, 24 Nov 81 p 8

[Text]

Nakamura Tome Industry Co. has reached a tie-up with West Germany's Alfred H. Schutte on sales of computerized numerical control (CNC) lathes.

Under the arrangement, the Japanese machine tool builder based in Ishikawa Prefecture will provide Schutte with the right to sell all the models of its CNC lathes, large or small, in West Germany. Schutte is Europe's largest maker of multiple spindle automatic lathes.

By granting the sales right to the Cologne enterprise, Nakamura apparently aims at boosting European sales while mitigating outcries of European industrialists against the heavy inflow of Japan-made tools into their markets.

Nakamura posted ¥10,500 million in sales in its business year ended last September. Of that, exports accounted for ¥4,800 million. Shipments to the U.S. amounted to 40 per cent, those to Europe, centering on West Germany, 40 per cent, and those to other areas, 20 per cent.

Nakamura's action represents the growing moves of the Japanese machine tool builders to cooperate with their European counterparts.

Similar arrangements are being increasingly concluded recently between Japanese and European enterprises.

For example, Toyoda Machine Works, Ltd. agreed with France's H. Ernault-Somur in August, last year to

launch a joint machining center-making venture in France.

This year, Makino Milling Machine Co. has started producing machining centers in West Germany with Heidenreich & Harbeck, a subsidiary of Gildmeister. Makino has a partial equity in the German enterprise.

On top of these ties, Niigata Engineering Co. has teamed up with Switzerland's Machine Tool Works Oerlikon-Buehrle Ltd. in an overall business link concerning production of machining centers, and related technology, sales and services.

Also, Okuma Machinery Works, Ltd. now works together with Schutte to sell machining centers.

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SCIENCE AND TECHNOLOGY

FOUR ELECTRIC MACHINERY MAKERS BOOST CAPITAL EXPENDITURE

Tokyo JAPAN ECONOMIC JOURNAL in English Vol 19, No 982, 24 Nov 81 p 9

[Text]

Four general electric machinery manufacturers — Hitachi, Ltd., Toshiba Corp., Mitsubishi Electric Corp. and Fuji Electric Co. — have been aggressively expanding their production capacities and streamlining production lines by revising upward their original fiscal 1981 plant and equipment investment plans.

Their combined capital spending in fiscal 1981 is now estimated to rise 18.1 per cent from the preceding term to ¥208 billion. Computers, semiconductors and video tape recorders are major targets for their capital spending.

Among the four, Toshiba seems to be the most aggressive. It has revised its initial fiscal 1981 capital spending program by ¥10 billion to ¥67 billion (JECJ-Nov. 3 issue). Mitsubishi has earmarked ¥4 billion more funds than the originally planned ¥41 billion for such investments in the current term. The revised amount is ¥10 billion larger than the preceding year's performance.

Hitachi revised the original figure of ¥80 billion to ¥82 billion. The increased portion is relatively small because it put the original program at a high level.

Most of the earmarked funds are for facilities to produce electronics products, such as semiconductors, computers and VTRs. In the case of Mitsubishi, ¥23 billion of the ¥45 billion are for the semiconductor/computer division. If investments in VTRs and color picture tubes are included, investments for the electronics field account for 80 per cent of Mitsubishi's total capital spending for this year.

The character of their investments this year is that they hardly are concerned with building an entirely new plant. Instead, they are for setting up factories in their existing plants or for installing more sophisticated lines.

Their aggressive investments owe much to their current favorable business performances and bright prospects in the latter half of fiscal 1981. Intensified price competition in electronics products also is forcing them to continue spending a huge amount of capital. Otherwise, they will be eliminated from the competition.

**Four General Electric Machinery
Manufacturers' Revised Capital Spending
Programs for Fiscal 1981**

(In billions of yen)

| | FY1980 (actual) | FY1981 | | % chg. from FY1980 |
|-------------------|--------------------|----------------------|---------|-----------------------|
| | | Initially planned | Revised | |
| Hitachi | 77.5 | 80 | 82 | + 5.8 |
| Toshiba | 53.6 | 57 | 67 | +25.0 |
| Mitsubishi | 35.0 | 41 | 45 | +28.6 |
| Fuji | 10.0 | 13 | 14 | +40.0 |
| Total of the four | 176.1 | 191 | 208 | +18.1 |
| NEC* | 65.0 | 79 | 85 | +30.8 |

* - Including those of affiliated companies.

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Besides the four general electric machinery makers, Nippon Electric Co. (NEC) is actively boosting production capacities. NEC competes with the four firms in the field of semiconductors and computers. Plant and equipment investments planned by NEC and its affiliated companies have been revised upward by ¥6 billion to ¥85 billion. The revised figure is ¥20 billion larger than in the preceding year.

Sharp also has raised its fiscal 1981 capital spending plan to ¥50 billion from ¥44 billion. Originally, the Osaka consumer electronics maker had earmarked ¥40 billion for this year.

Fujitsu Ltd. has boosted its fiscal 1981 capital outlay program by ¥10 billion to ¥59 billion from the original ¥49 billion. The revised figure represents a 31 per cent gain from the fiscal 1980 performance. Of the amount, ¥33.5 billion will be for facilities to produce semiconductors and other electronic components. On the strength of the increased funds, Fujitsu will be able to boost its monthly production capacity of 64-kilobit random access memory devices to 700,000 chips by the end of next March.

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SCIENCE AND TECHNOLOGY

EXPORTS OF SMALL PRINTERS INCREASING AT SWIFT TEMPO

Tokyo JAPAN ECONOMIC JOURNAL in English Vol 19, No 982, 24 Nov 81 p 9

[Text]

Exports of small printers have been surging mainly to the U.S., Europe and Southeast Asia.

Shinshu Seiki Co., Oki Electric Industry Co., Tokyo Electric Co. and other major producers find it difficult to immediately meet the enormous demand from abroad.

Demand for small printers has been keeping pace with that for personal computers and small business computers. Users of these small computers seek Japanese-made printers because of their high reliability, industry men say.

If the present situation continues, Japanese makers will dominate the world's small printer market. Even at present, the share of Japanese-made products reaches as high as 70-80 per cent in the U.S. small printer market.

Shinshu Seiki, a Shiojiri, Nagano-based maker of EPSON-brand printers, is the largest exporter. Last year, the company produced 250,000 units and exported 80 per cent of them. Most of the exported products are sold under the customers' brand on an OEM (original equipment manufacturer) basis, but it has been putting stress on exports under its own EPSON brand.

Shipments started mounting late last year, a Shinshu Seiki spokesman said. The company is now shipping 25,000-30,000 units a month. Large-lot orders from International Business Machines Corp., Xerox Corp. and other leading American computer builders keep the company busy. Its monthly shipment volume jumped to a level 10 times more than a year

earlier. The company now delivers the products by air in 4,000 to 5,000 lots.

Oki also enjoys booming exports of small printers. The company's monthly export volume now stands at 6,000-7,000 units, making it almost certain for the company to attain exports of 80,000 units in all 1981, compared to around 40,000 units in 1980.

Tokyo Electric has been swamped with orders from the U.S. and Europe. Its small printer exports in the first half of 1981 reached ¥7 billion in value, almost equal to last year's total export value.

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SCIENCE AND TECHNOLOGY

SHARP TO TURN OUT VISIBLE LIGHT SEMICONDUCTOR LASER

Tokyo JAPAN ECONOMIC JOURNAL in English Vol 19, No 982, 24 Nov 81 p 16

[Text]

Sharp Corp. has announced developing a high-output visible light-generating semiconductor laser hitherto considered difficult to produce in an applicable form.

The Osaka electric-electronic equipment producer plans to start mass production of the new laser in February, next year. It stands greatly to speed up recording and reproduction of the opto-magnetic audio discs and the laser printers now under development in Japan.

Sharp's new product is a gallium-aluminum-arsenide semiconductor laser having an optical output of 10 milliwatts and emitting a visible red light of 0.78 microns in wavelength.

It features an improved version of the company's own semiconductor laser structure known as the VSIS (V-Channelled Substrate Inner Stripe) type. The special structure is characterized by a grooved layer of V-shape in cross-section beneath the laser beam shooting active layer first to pen up the oscillated beam in the groove so that a light nearly circular in cross-section will be emitted.

The corporation had earlier developed a similar semiconductor laser of 5 milliwatts or half in output for application to making a digital audio recording-reproducing disc.

The corporation has followed it up with the development of a better version by such new method as to thin out the active layer without the danger of destruction of its crystallization even by doubling the output, to reform the structure of the grooved layer to stabilize the beam oscillations, and to minimize the occurrence of the watt-less (reactive) current.

The new semiconductor, measuring 0.25 millimeters high, 0.3 wide and 0.12 deep, starts high temperature oscillations when an electric current of 40 milliamperes or up, that is, the threshold (stimulus-giving) value or higher is applied, and then put into constant activity by sending an operating current of 70 milliamperes into it.

To go along with the new laser, the corporation also developed a new optomagnetic audio disc-making film of terbium-diprosium-iron-family amorphous substance type.

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SCIENCE AND TECHNOLOGY

EPOCHAL REAGENT MADE FOR MEASURING MOLECULAR WEIGHTS

Tokyo JAPAN ECONOMIC JOURNAL in English Vol 19, No 982, 24 Nov 81 p 16

[Text]

A reagent to precisely measure the molecular weights of all sorts of substances between 5,000 and 800,000 has been commercially developed by Hayashibara Biochemical Laboratories, Inc. (Hayashibara Co.) of Okayama, and will soon be exclusively marketed by Showa Denko K.K. of Tokyo.

According to sources close to the Okayama manufacturer, the new product is a redeveloped version of its "edible" plastic, a sort of polysaccharoid, named "Pullulan", developed back in 1973.

Hitherto used as molecular weight-measuring reagents are various brands, including "Dextran," a Swedish-produced polysaccharoid. But they have invariably been imprecise or limited in applicability. Because of its great range of applicability, it is expected to be usable even in high-speed industrial or other sophisticated chromatographs and high-precision biochemical and biotechnical research. A biochemical expert of the

University of Tokyo Faculty of Science expected the new product to be an innovational reagent in biochemical or biotechnical studies because there has so far been no good reagent capable of accurately measuring proteins or nucleic acids of 500,000 or larger in molecular weight.

Hayashibara will shortly start mass-producing the new reagent at its Okayama factory and supplying the entire output to Showa Denko. Showa Denko was chosen out of numerous sales applicants, both domestic and foreign, because, besides being Japan's top-level chemical and fertilizer maker, it has a long record of research, development, information gathering and sales. To be marketed under Showa Denko's own tradename of "Shodex STANDARD P-82," the new reagent will be an expensive commodity priced at more than ¥ 200,000 a gram. Still Showa Denko expects to sell several kilograms annually to research institutions throughout the world.

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